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ABSTRACT

This report presents the testimony and submissions presented at one of a series of hearings on welfare reform and reauthorization of the Temporary Assistance for Needy Families (TANF) program. The statement by Cynthia M. Fagnoni, managing director of education, workforce, and income security issues at the U.S. General Accounting Office, assesses progress in meeting work-focused TANF goals, paying special attention to the need to emphasize and enhance work-based strategies and the need to foster and facilitate improved management and service delivery by states. The statement by Christine Dever, an analyst in social legislation at the Library of Congress' Congressional Research Service, examines the impact of policies designed to promote work and summarizes what is known about the circumstances of families who have left welfare. The statement by Mark Greenberg, a representative of the Center for Law and Social Policy, discusses the problems faced by families while enrolled in the TANF program and after leaving it. The statement by Robert Rector, a representative of the Heritage Foundation, examines the economic, social, and other effects of welfare on families. Also included are the submissions from the Association for Children for Enforcement of Support, Inc., and the Coalition on Women and Job Training. (MN)

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WELFARE REFORM

ED 464 257

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

MARCH 15, 2001

Serial No. 107–5

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CONTENTS

Page

Advisory of March 8, 2001, announcing the hearing 2

WITNESSES

U.S. General Accounting Office, Cynthia M. Fagnoni, Managing Director, Education, Workforce, and Income Security Issues 6

Library of Congress, Christine Devere, Analyst in Social Legislation, Domestic Social Policy Division, Congressional Research Service 17

Center for Law and Social Policy, Mark Greenberg 41

Rector, Robert, Heritage Foundation 50

SUBMISSIONS FOR THE RECORD

Association for Children for Enforcement of Support, Inc., Sacramento, CA, Geraldine Jensen, statement and attachment 84

Coalition on Women and Job Training, statement 87

WELFARE REFORM

THURSDAY, MARCH 15, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Committee met, pursuant to notice, at 11:00 a.m., in room B–318 Rayburn House Office Building, Hon. Wally Herger (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
March 8, 2001
HR–1

CONTACT: (202) 225–1025

Herger Announces Hearing Series on Welfare Reform

Congressman Wally Herger (R–CA), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the effects of the 1996 welfare reform law. **The hearing will take place on Thursday, March 15, 2001, in room B–318 of the Rayburn House Office Building, beginning at 11:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (*P.L. 104–193*), commonly referred to as the 1996 welfare reform law, made dramatic changes in the Federal-State welfare system designed to aid low-income American families. The law repealed the former Aid to Families with Dependent Children program, and with it the individual entitlement to cash welfare benefits. In its place, the 1996 legislation created a new Temporary Assistance for Needy Families (TANF) block grant that provides fixed funding to States to operate programs designed to achieve several purposes: (1) provide assistance to needy families, (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage, (3) prevent and reduce the incidence of out-of-wedlock pregnancies, and (4) encourage the formation and maintenance of two-parent families. Associated changes included individual time limits and work requirements intended to reinforce the new focus on work and independence for families needing assistance.

Recognizing the significance of the changes made in the 1996 legislation, the authors of the 1996 law authorized the new TANF program through only fiscal year 2002. As a result, evaluating the effects of the 1996 changes will play a central role in determining whether and what adjustments to TANF and related programs may be necessary. This is the first of a series of hearings the Subcommittee will conduct during the 107th Congress to answer those questions in preparation for reauthorization of the 1996 law next year.

In announcing the hearing, Chairman Herger stated: "Our Subcommittee looks forward to taking a close look at the effects of the historic 1996 welfare reform law. We already know there have been dramatic changes resulting from that law—work is up, caseloads are down 50 percent, and child poverty is down, too. Now our task is to evaluate what these and other impacts mean, as well as assess new priorities as we move toward reauthorization of the 1996 law next year."

FOCUS OF THE HEARING:

The focus of this hearing is to review research on the effects of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, particularly related to the four primary purposes of the Act described above. The Subcommittee also will seek information on lessons learned from innovative State programs and on continuing challenges facing States and localities as families move from welfare to work.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should *submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label,* by the *close of business,* Thursday, March 29, 2001, to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B–317 Rayburn House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. **Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman HERGER. Good morning. I will convene this hearing.

Welcome to the first hearing of the Human Resources Subcommittee in the 107th Congress. The subject of today's hearing is "Research on the Effects of Welfare Reform." Since this is my first hearing as chairman, I just want to begin with a personal word about what a privilege it is for me to take part in the important debate on welfare reform that is about to unfold.

I know that many Members of this Subcommittee, the full Committee, and the rest of the Congress, played important roles in passing the 1996 Welfare Reform law and subsequent legislation. I will count on all of your expertise and insight as we move forward with reauthorization in the next 19 months.

Our first hearing will cover research on the effects of the 1996 law. This law, and what we know about its impacts, will guide us throughout the reauthorization debate. Those impacts have been, in a word, remarkable. More than two million families have left welfare, work is up, child poverty is down, and welfare caseloads have dropped over 50 percent. Everyone, from those who supported the bill, to those who opposed it, accepts these facts. So we will be building on a very strong foundation.

But there is still a lot of work to do. No one should read anything into our starting this process on the Ides of March. I am convinced we can and will work together to produce excellent legislation that builds on the 1996 law. That is my mission, and I know it is one that is shared by my colleagues on both sides of the aisle.

For today's purposes, we will pay special attention to evidence about whether the 1996 law achieved its major purposes, which include: one, providing assistance to needy families; two, ending dependence on government by promoting work and marriage; three, preventing and reducing the incidence of out-of-wedlock pregnancies; and four, encouraging the formation and maintenance of two-parent families.

We also are particularly interested in lessons learned from innovative State programs and ways to address continuing challenges as families move from welfare to work. Today, we have a distinguished set of witnesses to answer these questions and more.

First, we will hear from nonpartisan representatives of the Congressional Research Service and the General Accounting Office, who will review what is known from some of the major studies of welfare reform. Then we will hear from two outside experts who are very familiar to this Subcommittee, Robert Rector of the Heritage Foundation, and Mark Greenberg of the Center for Law and Social Policy.

They will add their perspective on what the research tells us about impacts of the 1996 law. They will also provide suggestions for us to consider as we set about making further changes in the coming year-and-a-half.

Without objections, each Member will have the opportunity to submit a written statement and have it included in the record at this point.

Now, before I turn to Mr. Cardin for his opening statement, I understand we have a vote starting after 11:15, so hopefully we can at least get through the testimony and maybe even some questions for our first panel before we have to recess.

I now recognize Mr. Cardin for his opening statement.

[The opening statement of Chairman Herger follows:]

Opening Statement of the Hon. Wally Herger, M.C., California, and Chairman, Subcommittee on Human Resources

Welcome to the first hearing of the Human Resources Subcommittee in the 107th Congress.

Since this is my first hearing as Chairman, I just want to begin with a personal word about what a privilege it is for me to take part in the important debate on welfare reform that is about to unfold.

I know many of the Members of this subcommittee, the full committee, and the rest of the Congress played important roles in passing the 1996 welfare reform law and subsequent legislation.

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They will add their perspective on what the research tells us about impacts of the 1996 law. They also will provide suggestions for us to consider as we set about making further changes in the coming year and a half.

With that, Mr. Cardin, do you have an opening statement?

Mr. CARDIN. Thank you, Mr. Chairman.

I want to thank you for, as your first hearing as chairman, focusing in on TANF, because clearly, the most important responsibility of this Subcommittee will be the reauthorization of TANF and the related programs. I look forward to working with you.

As I listened to your opening statement, you are correct, that we all have the same purpose for looking at the TANF program and seeing what will be coming next.

Mr. Chairman, I hope that we won't get into a debate during this hearing and in future hearings dealing with whether the 1996 welfare law worked. The question of whether it's been successful or whether it's the benefit of a strong economy—although, quite frankly, the economy doesn't look quite as strong today as the stock market opens—or whether we are just creating a lot of people working in poverty misses the point. The truth is that all three of those observations have some truth. Our focus should be what comes next, what is the next chapter.

Our hearings are important, because there's a lot of information that we don't know about. We don't know about a lot of people who have left welfare who are not working, what has happened to that group.

I was very impressed with Secretary Thompson's testimony before our full Committee yesterday, Mr. Chairman, and his commitment to helping people who have left welfare, who are working, but need the skills and training in order to succeed in the workplace. What Secretary Thompson was basically saying is that we don't want to replace generations of families that were dependent upon welfare with generations of families that are trapped working in poverty. As Secretary Thompson said—and I agree—that's going to require a stronger Federal presence, not a reduced Federal presence.

So as we start our process of evaluating the TANF program and how it has achieved its initial objectives, I hope that we will concentrate on what should be the Federal role in the next level, the next chapter in welfare reform. I would hope that it will have a strong presence in reducing poverty, particularly among working Americans who have left welfare, so that we can truly say the people have left welfare for a better life, a life where they can succeed in the workplace. We need to take a look at our welfare programs to make sure that, in fact, they will achieve those objectives as we reauthorize the programs.

I do look forward to listening to our witnesses, not only today but in the future hearings of our Committee.

Chairman HERGER. Thank you very much, Mr. Cardin, for your remarks.

At this time I would like to call up our first panel, Cynthia M. Fagnoni, Managing Director, Education, Workforce and Income Security Issues, U.S. General Accounting Office, and Christine Devere, Analyst, Social Legislation, Domestic Social Policy Division, Congressional Research Service.

Miss Fagnoni, we would be happy to receive your testimony.

STATEMENT OF CYNTHIA M. FAGNONI, MANAGING DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Ms. FAGNONI. Good morning, Mr. Chairman. Thank you.

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss welfare reform. Since the Congress passed welfare reform legislation in 1996, this Subcommittee has asked us to examine a broad range of welfare reform issues. Today I will focus on States' progress in implementing TANF and what we know about families who have left welfare and those who remain on the rolls.

Our work shows that States are moving away from a welfare system focused on entitlement to one that emphasizes finding employment as quickly as possible. In keeping with this "work first" approach, many States and localities have transformed their welfare offices into job placement centers. In these offices, welfare workers help TANF applicants and recipients find jobs and link them to services, such as child care and transportation, to support their work efforts.

In addition, welfare workers focus more on helping recipients address and solve problems that can interfere with employment.

Some States are providing services to low-income working families not receiving cash assistance, which can help these families avoid welfare dependency. States' implementation of more work-based programs facilitated by strong economic growth has been accompanied, as you mentioned, by a 50 percent decline in the number of families receiving cash welfare since welfare reform legislation was signed into law, from 4.4 million families in August, 1996, to 2.2 million in June, 2000.

With this dramatic drop in the welfare rolls has come increased interest in how former welfare recipients are faring. Information available shows that most adults who left welfare had at least some attachment to the workforce. Our 1999 review showed employment rates ranging from 61 to 87 percent for adults and families who had left welfare in seven States. In some instances, these rates measured whether an adult in the family had ever been employed since leaving welfare, rather than steady employment.

A recent report by the Urban Institute, based on its 1999 nationally representative sample, finds that 64 percent of former TANF recipients reported that they were working at the time of their follow up, while another 11 percent reported working at some point after leaving welfare.

Former recipients in the seven States we reviewed had average annual earnings that generally ranged from $9,500 to about $15,000, if the families had worked all year long—and many did not. This estimated annual earned income is greater than the maximum annual amount of cash assistance and food stamps that a three-person family with no other income could have received in these States. But if these earnings were the only source of income for these former welfare families, many of them would remain below the Federal poverty level.

More comprehensive information on total household income and use of other government supports is needed to fully understand the circumstances of these families. The State studies we reviewed typically did not provide such comprehensive information.

Regarding the adults who continue to receive cash assistance, a higher percentage are combining welfare and work than previously. In fiscal year 1997, 17 percent of TANF recipients worked, compared with 25 percent in fiscal year 1999. But a majority of TANF recipients are not working or engaged in work activities. This is in part because many have characteristics, such as health problems and disabilities, that make it difficult for them to get and keep jobs.

To better meet the needs of these TANF recipients, all six of the States we recently visited have modified their "work first" programs to include strategies for hard-to-employ recipients. These strategies include improving and expanding case management, providing programs and services targeted specifically to prepare the hard-to-employ for work, and drawing on programs run by non-TANF agencies and organizations that deal with specific problems, such as substance abuse and mental illness.

During our site visits, State and local officials reported program success at the local level. For example, in Grand Rapids, MI the local TANF agency had stationed two case managers at a large company that employs TANF recipients to help the hard-to-employ retain their jobs. These on-site case managers serve as a resource, both for employees and for the employer, helping employees cope with crises that might otherwise cause them to lose their jobs and intervening on behalf of the employer at the first sign of trouble.

Company officials directly attributed the higher retention rates for TANF than for non-TANF employees to on-site case management and cooperation from the local TANF agency. While hard-to-employ recipients may find the transition to work difficult, the States have found that some do, in fact, find jobs.

In closing, States have made significant progress in transforming the Nation's welfare system into a work-based, temporary assistance program for low-income families. As welfare reform evolves, attention will be focused on emphasizing and enhancing work-based strategies, both for families who have already left welfare for work, and for those who may need more assistance to become employed.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you or Members of the Subcommittee may have.

[The prepared statement of Ms. Fagnoni follows:]

Statement of Cynthia M. Fagnoni, Manager Director, Education, Workforce, and Income Security Issues, U.S. General Accounting Office

Welfare Reform: Progress in Meeting Work-Focused TANF Goals

Mr. Chairman and Members of the Subcommittee: Thank you for inviting me here today to discuss the progress of welfare reform and our related work. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193) (PRWORA) significantly changed federal welfare policy for low-income families with children, building upon and expanding state-level reforms. It ended the federal entitlement to assistance for eligible needy families with children under Aid to Families With Dependent Children (AFDC) and created the Temporary Assistance for Needy Families block grant (TANF), designed to help needy families reduce their dependence on welfare and move toward economic independence. Under TANF, states have increased flexibility to meet four broad goals:

- Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Preventing and reducing the incidence of out-of-wedlock pregnancies; and
- Encouraging the formation and maintenance of two-parent families.

In addition, PRWORA requires states to impose federal work and other program requirements on most adults receiving aid and to enforce a lifetime limit of 5 years, or less at state option, on the receipt of federal assistance.

As states have implemented TANF, this Subcommittee has asked us to examine a broad range of welfare reform issues. My testimony today will focus on the progress of welfare reform related to the goals of providing assistance and reducing dependency by promoting work. More specifically, it discusses (1) states' progress in implementing TANF, (2) the status of families who have left welfare, (3) the characteristics of adults currently receiving TANF and state strategies for helping hard-to-employ recipients find jobs, and (4) emerging issues as welfare reform evolves. The information on former welfare recipients is from our 1999 review of state studies and more recent studies. Information on current welfare recipients and state strategies for serving hard-to-employ recipients is drawn from our latest review of national data, numerous research studies, and visits to six states from a new report to this Subcommittee to be released soon.

In summary, our work shows that states are transforming the nation's welfare system into a work-based, temporary assistance program for needy families, with a focus on moving people into employment rather than signing them up for cash assistance. States' implementation of TANF, undertaken in a time of strong economic growth, has been accompanied by a 50 percent decline in the number of families receiving cash welfare—from 4.4 million in August 1996 to 2.2 million as of June 2000. Our review of state-sponsored studies available in 1999 and several more recent studies show that most of the adults in families remaining off the welfare rolls were employed at some time after leaving welfare. Of adults who continue to receive TANF cash assistance, national data show that a higher percentage is currently engaged in work than previously—17 percent in fiscal year 1997 compared to 25 percent in fiscal year 1999. A majority of those on the rolls, however, are not working or engaged in work activities, in part because many have characteristics that make it difficult for them to get and keep jobs. All six of the states we visited have modified their "work first" programs—designed to move recipients quickly into jobs—to better serve recipients who face difficulties in entering the workforce. States have found that some of the recipients with such difficulties do, in fact, find jobs. While states have made significant progress in meeting work-focused goals, as welfare reform continues to evolve, attention should be paid to these issues:

- Emphasizing and enhancing work-based strategies, including engaging hard-to-employ recipients in work and helping families stay off welfare and increase their earnings; and
- Fostering and facilitating improved management and service delivery approaches by states.

AS STATES IMPLEMENTED WELFARE REFORM AMID STRONG ECONOMIC GROWTH, WELFARE CASELOADS DROPPED 50 PERCENT

Consistent with the thrust of the federal welfare reform law, states are moving away from a welfare system focused on entitlement to assistance to one that emphasizes finding employment as quickly as possible, called a "work first" approach. Our work and other studies show that many states and localities have transformed their welfare offices into job placement centers. In some locations, applicants are expected to engage in job search activities as soon as they apply for assistance and may be provided support services, such as child care and transportation, to support their work efforts without adding them to the welfare rolls. Our recently issued report on child care noted that spending on child care programs for low-income families under TANF and the Child Care and Development Fund increased substantially in recent years, from $4.1 billion in fiscal year 1997 to $6.9 billion in fiscal year 1999 in constant dollars.[1]

As many welfare offices have increased their emphasis on work activities, welfare offices and workers are also focusing more on helping clients address and solve problems that interfere with employment. In addition, some states are using the flexibility allowed under TANF to continue providing services to families who left the welfare rolls as a result of employment, including, in some cases, providing case management services to help ensure that families can deal with problems that might put parents' jobs at risk. Some states are also providing services to low-income working families not receiving cash assistance.

States' implementation of more work-based programs, undertaken under conditions of strong economic growth, has been accompanied by a dramatic decline in the number of families receiving cash welfare. As shown in figure 1, the number of families receiving welfare remained steady during the 1980s and then rose rapidly during the early 1990s.[2]

The caseload decline began in 1995 and accelerated after passage of PRWORA, with a 50 percent decline in the number of families receiving cash welfare—from 4.4 million families in August 1996 to 2.2 million families in June 2000. Caseload reductions occurred in all states, ranging from 10 percent in the District of Columbia to 85 percent in Wyoming.[3] While economic growth and state welfare reforms have been cited as key factors to explain nationwide caseload decline, there is no consensus about the extent to which each factor has contributed to these declines.[4]

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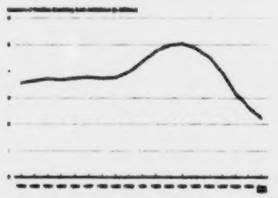
[1] Child Care: States Increased Spending on Low-Income Families (GAO-01-293, Feb. 2, 2001).

[2] A Congressional Budget Office (CBO) model attributes more than half of the growth in AFDC caseloads between 1989 and 1992 to increases in the number of female-headed families (especially never-married females) and approximately one-fourth of the growth to the recession and to the weak economy that preceded and followed the recession. CBO Staff Memorandum, *Forecasting AFDC Caseloads, With an Emphasis on Economic Factors* (CBO, Washington, D.C.: July 1993).

[3] Data on caseload reductions for families by state utilize January 1997 to June 2000 data.

Figure 1: Number of Families Receiving Welfare From 1982 Through June 2000



Source: Department of Health and Human Services (HHS), Administration for Children and Families

MOST ADULTS IN FORMER WELFARE FAMILIES WERE EMPLOYED AT SOME TIME AFTER LEAVING WELFARE, OFTEN AT LOW-WAGE JOBS

Information on former welfare recipients shows that most adults who left welfare had at least some attachment to the workforce. Our 1999 review on the status of former welfare recipients identified studies from seven states that provided representative data on families leaving welfare.[5] Employment rates among adults in the families who left welfare in these seven states ranged from 61 to 87 percent.[6] However, the employment rates were measured in different ways. Studies measuring employment at the time of follow-up reported employment rates from 61 to 71 percent. Studies measuring whether an adult in a family had ever been employed since leaving welfare reported employment rates from 63 to 87 percent. A more recent review of state and local-level studies supported by funds from HHS' Office of the Assistant Secretary for Planning and Evaluation (ASPE) shows similar patterns.[7] In addition, a recent report by the Urban Institute, using data from its 1999 National Survey of America's Families (NSAF)—a nationally representative sample—finds that 64 percent of former recipients who did not return to TANF reported that they were working at the time of follow-up, while another 11 percent reported working at some point since leaving welfare.[8]

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[4] Studies have specifically cited the following reasons for the caseload decline: changes made by PRWORA; state changes to welfare programs that preceded PRWORA; changes in client and caseworker behavior; past increases in the minimum wage; and low unemployment rates. See Council of Economic Advisers, *The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update* (Washington D.C.: Council of Economic Advisers, Aug. 1999). See also Rebecca M. Blank, *What Causes Public Assistance Caseloads to Grow?* (Cambridge, Mass.: National Bureau of Economic Research, Dec. 1997).

[5] See *Welfare Reform: Information on Former Recipients' Status* (GAO/HEHS–99–48, Apr. 28, 1999). In this report we identified 18 studies about former recipients and summarized the findings from eight of these studies (representing seven states) based on whether the results could be generalized to most families who left welfare in the state at the time of the study. The states we studied are Indiana, Maryland, Oklahoma, South Carolina, Tennessee, Washington, and Wisconsin. Because the seven states' studies differed in time periods covered—from as early as 1995 to as late as 1998—and categories of families studied, the results are not completely comparable.

[6] Employment rates in various studies generally excluded families who returned to welfare. Removing families who return to welfare from the employment rate calculations results in higher employment rates, because many former recipients who return to the welfare rolls are not employed.

[7] ASPE has encouraged the use of comparable measures among research focused on former recipients. ASPE awarded grants to states and the research community in fiscal years 1998, 1999, and 2000 for studies in 10 states and three large counties.

Not all families who leave welfare remain off the rolls. In the seven studies we reviewed, the percentages of the families who left welfare and then returned to the rolls ranged from 19 percent after 3 months in Maryland to 30 percent after 15 months in Wisconsin. In ASPE's recent review of state and local-level studies, the proportion of families who returned to welfare within 12 months after exit ranged from 12 percent in San Mateo County, California, to 29 percent in Cuyahoga County, Ohio.[9] The study using 1999 NSAF data reported that 22 percent of those who had left the rolls were again receiving benefits at time of the survey follow-up.

Of those who left welfare, former recipients in the seven states we reviewed had average quarterly earnings that generally ranged from $2,378 to $3,786 or from $9,512 to $15,144 annually.[10] This estimated annual earned income is greater than the maximum annual amount of cash assistance and food stamps that a three-person family with no other income could have received in these states.[11] However, if these earnings were the only source of income for families after they leave welfare, many of them would remain below the federal poverty level.[12]

In addition to information on individuals' earned incomes, former recipients' total household income and use of other government supports are key to understanding the circumstances of these families. For example, the recently expanded earned income credit (EIC) can increase the incomes of qualified low-income families by as much as $2,271 for families with one child and $3,756 for families with two or more children.[13] The ASPE review of state and local-level studies reported that there were limited data on total household income. Reports from the few states that attempted to gather this information found that 45 to 50 percent of household income comes from the adult leaving TANF, 20 to 40 percent from others in the household, and between 3 and 8 percent from other sources, such as child support and Supplemental Security Income. More is known about former recipients' use of other government supports. Some of the state studies we reviewed reported that between 44 and 83 percent of the families who left welfare received Medicaid benefits, and between 31 and 60 percent received food stamps. More recent research at the state level and nationally also shows differences in the rate of Medicaid and food stamps receipt among former welfare recipients.

STATES ARE TAKING STEPS TO HELP HARD-TO-EMPLOY RECIPIENTS FIND JOBS

While many adults have left the welfare rolls for work, those remaining on the rolls have increased their work efforts. Nationwide, the percentage of TANF recipients combining welfare and work has risen from 17 percent in fiscal year 1997 to 25 percent in fiscal year 1999. Most current recipients, however, are not engaged in work or work activities as defined by PRWORA. At least in part, this may be because many current recipients have characteristics that make it difficult for them to work, according to data from national surveys and several studies, as well as from officials in the six states that we visited.[14] The states we visited had taken steps to help hard-to-employ recipients move into jobs, such as improving and expanding case management or providing programs and services targeted specifically to prepare them for work. While recipients with one or more work-impeding characteristics may find the transition to work difficult, the states have found that some do find jobs.

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[8] Pamela Loprest, *How Are Families Who Left Welfare Doing Over Time? A Comparison of Two Cohorts of Welfare Leavers* (Washington, D.C.: Urban Institute, Dec. 8, 2000). Respondents had been off TANF from between 3 months to more than 12 months at time of follow-up interview.

[9] Julia B. Isaacs and Matthew Lyon, *A Cross-State Examination of Families Leaving Welfare: Findings From the ASPE-Funded Leavers Studies,* presented at the National Association for Welfare Research and Statistics 40th Annual Workshop in Scottsdale, Ariz. (Aug. 1, 2000; revised Nov. 6, 2000).

[10] We estimated annual incomes by extrapolating quarterly earnings; states did not provide information on annual earnings. Using this method may overestimate the annual earnings, as a former recipient may have worked fewer than four quarters.

[11] In these seven states, for a single-parent, three-person family with no income, the maximum annual amount of cash assistance and food stamps combined ranged from $6,000 in Tennessee to $9,744 in Washington as of January 1997.

[12] For 1998, the federal poverty level for a family of three was $13,650.

[13] The EIC is a refundable tax credit for qualified working people who have earned incomes below certain specified levels.

[14] For *Welfare Reform: Moving Hard-to-Employ Recipients Into the Workforce* (GAO–01–368, forthcoming), we visited six states: California, Connecticut, Florida, Maryland, Michigan, and Washington. In addition, we collected and analyzed caseload data from these states and from Oregon, New York, and Wisconsin.

A Majority of TANF Recipients Are Not Engaged in Work Activities, in Part Because Many Have Characteristics That Make It Difficult for Them To Get and Keep Jobs

The proportion of TANF recipients nationwide who were engaged in unsubsidized employment increased during the past few years. According to our analysis of HHS data, the percentage of recipients who were engaged in unsubsidized employment increased from 17 percent in fiscal year 1997 to 25 percent (or 400,000 recipients) in fiscal year 1999.[15] In the states we reviewed that provided us with data on their caseload characteristics, the percentage of the caseload that was employed ranged from 6 percent to just under 40 percent.[16] This wide range of rates may be explained in part by the varying state policies on the amount of earnings a person may retain while still remaining eligible for welfare.[17]

Although more TANF recipients are combining welfare and work, in fiscal year 1999 a majority did not participate in work activities—a monthly average of nearly 60 percent of all TANF recipients nationwide. Although this may have been caused by weak implementation of state work programs, the characteristics of TANF recipients may affect their abilities to engage in work and work activities. Studies have shown that having certain characteristics, such as poor health or disability, no high school diploma, limited work experience, exposure to domestic violence, substance abuse, and limited English proficiency, makes engaging in work activities more difficult. Based on data from its 1997 National Survey of America's Families (NSAF), the Urban Institute found that the greater the number of these characteristics a TANF recipient has, the less likely that recipient is to be engaged in work or work activities.[18]

The survey showed that 88 percent of recipients who had none of these characteristics were working or engaging in work-related activities, compared to 59 percent with one of these characteristics and 27 percent with three or more (see figure 2).[19] Officials in all six of the states we visited agreed that recipients with one or more work-impeding characteristics find it hardest to successfully enter the workforce, and are often referred to as hard-to-employ recipients. However, states have found that while having these characteristics makes employment difficult, some recipients do, in fact, find jobs.

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[15] Percentages represent the average monthly number of families with at least one adult engaged in unsubsidized employment divided by the number of families in the overall work rate, as defined by the Administration for Children and Families. The families included in the overall work rates are all TANF families except (1) child-only cases and (2) families disregarded for one of the three reasons allowed under federal law: (a) they have a child under age 1; (b) they are participating in the tribal work program; or (c) they were sanctioned during the month but not for more than 3 of the past 12 months.

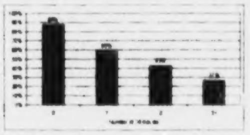
[16] Data were reported by states and may not be consistent with each other.

[17] Some experts have speculated that this wide range may also be because states that have enforced "work first" are likely to have experienced the greatest caseload decline and thus lower work levels for those remaining on the rolls.

[18] NSAF is an ongoing, nationally representative survey, of the non-institutionalized, civilian population of persons under age 65 in the nation as a whole. Sheila Zedlewski. *Work-Related Activities and Limitations of Current Welfare Recipients* (Washington D.C.: The Urban Institute, July 1999).

[19] The Urban Institute analysis counted only those characteristics shown to significantly depress work activity as obstacles to employment: less than a high school education, last employment 3 or more years ago, child under age 1, either very poor mental health or health condition that limits work, caring for a disabled child, and limited English. NSAF did not collect data on domestic violence or substance abuse.

[illegible]



Source: 1997 NSAF, The Urban Institute

Our analysis of existing studies showed that a considerable percentage of TANF recipients have characteristics that make it difficult for them to work. Table 1 identifies the range of estimates a number of studies provide on the prevalence of some of these characteristics in the welfare population. For example, estimates of the proportion of the welfare caseload with health problems or disability range from 20 to 40 percent, and the proportion of the caseload with no high school diploma from 30 to 45 percent.

TABLE 1: PREVALENCE OF SELECTED CHARACTERISTICS AMONG TANF RECIPIENTS BASED ON SELECTED STUDIES

Characteristic	Estimated range of TANF recipients with characteristic (percent)	Number of selected studies measuring this characteristic
Health problems or disabilities	20–40	12
Lack of high school diploma	30–45	8
Current domestic violence	10–30	7
Lack of job skills	20–30	3
Substance abuse	3–12	8
English as a second language	7–13	4
Multiple barriers	44–64	5

NOTE: Studies were conducted between 1997 and 1999. The estimates provided by each study are not directly comparable to those from other studies because each defines characteristics slightly differently and examines a different specific population. For example, when measuring the incidence of substance abuse, one study counted only recipients who self-reported seeking substance abuse treatment while another counted recipients believed by case managers to need to address substance abuse problems. Likewise, the scope of the studies varies; most cover only a single state or community while one is national in scope. Because of difficulties identifying and measuring these characteristics, these studies may understate the prevalence of these characteristics among TANF recipients. Nonetheless, together these studies give a rough indication of the prevalence of these characteristics among TANF recipients.

Information from the states we visited is consistent with the studies' data. Officials in these states indicated that many recipients have poor mental or physical health, have substance abuse problems, or were victims of domestic violence. Some officials noted that the actual extent of these characteristics can be hard to determine because most states and localities rely on recipients to disclose this information about themselves to their case managers, which they are often reluctant to do.

All Six of the States We Visited Have Modified Their "Work First" Programs to Better Serve Hard-to-Employ Recipients

The six states we visited implemented a TANF program that can be characterized as "work first" and, as a result, their TANF programs share a few common elements. All of the programs seek to move people from welfare into unsubsidized jobs as quickly as possible. Officials expressed the belief that the best way to succeed in the labor market is to join it, and the best setting in which to develop successful work habits and skills is on the job.[20] However, to varying degrees, these six states have modified or enhanced their approach to better serve recipients for whom the "work first" approach is not successful because they have characteristics that may impede employment. The states we visited differ markedly in their approach to identifying recipients who have these characteristics so that they can either be exempted from work requirements or provided with targeted programs and services that would help them obtain employment. Some states and localities require TANF recipients to look for a job and offer enhanced services only to those who are unsuccessful, while others begin by screening and assessing new applicants to identify those with characteristics that might impede their ability to get a job. The strategies states use to assist those recipients identified as hard-to-employ also vary. Some of the states we visited have focused their efforts on improving and expanding case management, while others have targeted programs and services specifically to prepare hard-to-employ recipients for work. All six of the states we visited also refer recipients to programs run by non-TANF agencies and organizations that help recipients deal with specific problems such as substance abuse and mental illness that may affect their ability to get and keep a job.

During our site visits, state and local officials reported program success at the local level. For example, in Grand Rapids, Michigan, the local TANF agency has stationed two case managers at a large company that employs TANF recipients to help hard-to-employ recipients retain their jobs. These on-site case managers serve as a resource both for employees and for the employer, helping employees cope with crises that might otherwise cause them to lose their jobs, and intervening on behalf of the employer at the first sign of trouble. The company's retention rate for current and former TANF recipients was 81 percent, as compared to only 33 percent for their non-TANF employees. Company officials directly attributed the higher retention rates to on-site case management and cooperation from the local TANF agency.

EMERGING ISSUES AS WELFARE REFORM EVOLVES

As states have taken steps to implement a work-based, temporary assistance program for needy families, key issues have emerged, including continuing support for work—for those on the welfare rolls and those already employed—and building state and local management and service delivery capacity.

Emphasizing and Enhancing Work-Based Strategies

As many TANF recipients have moved into employment, emerging issues are related to helping those remaining on the rolls move into the workforce, enforcing work requirements in future years, and helping former welfare recipients maintain their employment. The states we visited in 2000 said that while some TANF recipients with work-impeding characteristics are able to successfully enter the workforce, many need considerable time and support in order to become work-ready, including services and work-preparation activities that address their specific needs. To be successful in moving hard-to-employ TANF recipients into the workforce within their 5-year time limit for federal benefits, states will need to provide work-preparation activities tailored to the needs of their hard-to-employ recipients. To help states with this challenge, we have recommended that HHS do more to promote research and provide guidance that would encourage and enable states to estimate the number and characteristics of hard-to-employ recipients. In addition, we have recommended that HHS expand the scope of its guidance to states to help them use the flexibility they have under PWRORA to provide appropriate work-preparation activities for hard-to-employ recipients within the current TANF rules. During our site visits we discovered that some states and localities did not understand the full range of flexibility they have under the law.

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[20] A recent study by the Manpower Demonstration Research Corporation (MDRC) reviews 20 welfare-to-work programs and assesses the effectiveness of these programs at increasing the employment and earnings of single-parent welfare recipients. The study found that employment-focused welfare programs resulted in higher earnings for the most disadvantaged recipients than education-focused programs, but that programs with a mix of activities tended to help the broadest range of people. See Charles Michalopoulos, Christine Schwartz, and Diana Adams-Ciardullo, *What Works Best for Whom: Impacts of 20 Welfare-to-Work Programs by Subgroup* (New York, N.Y.: MDRC, Aug. 2000).

In addition to working with hard-to-employ recipients, states must enforce federal work requirements for most TANF recipients. The robust economy has generally helped states meet federal work participation rates. In fiscal year 1999, the highest percentage of TANF adult recipients meeting federal work participation rates—66 percent—was in unsubsidized employment. Moreover, states were also aided in meeting federal participation rates by receiving credits for the recent caseload reductions as allowed under PRWORA. In the event of an economic downturn when jobs may be less readily available, more states may turn to alternative activities for meeting their work requirements. These activities could include subsidized employment, work experience, community service, and on-the-job training, which we call work-site activities. However, states have more limited experience with work-site activities; nationwide only about 14 percent of TANF recipients meeting federal work participation rates were in such activities in fiscal year 1999. As a result, implementing large-scale work programs may prove challenging.[21] To provide valuable information for administrators and policymakers on what could in the future become an increasingly important part of TANF programs nationwide, we recommended that HHS take steps to collect more information on work-site activities, including supporting evaluations of them, and disseminate such information to the states. HHS has taken steps to support some evaluations in this area.

While promoting work among those receiving welfare is essential, some states have turned their attention to supporting the work efforts of those who have left the rolls. Many former welfare recipients are employed in low-wage jobs and at risk of returning to welfare. TANF provides states the flexibility to devise and implement strategies that help such families maintain and advance in their jobs. Some states and localities have undertaken efforts to help low-wage workers upgrade their job skills to improve their job prospects. For example, when we visited states in 1998, we found that Michigan had set aside $12 million for postemployment training for TANF clients who were already meeting their work requirements. Similarly, Wisconsin had a $1 million Employment Skills Advancement Program under which poor working parents—including TANF clients—received grants for attending training programs through the workforce development system.[22] HHS is evaluating some projects designed to help former welfare recipients retain their jobs and advance in the workplace.

Fostering and Facilitating Improved Management and Service Delivery Approaches

As welfare agencies focus on moving needy families toward economic independence by providing a wide array of services, such as child care, food stamps, and employment and training services, they are drawing on numerous federal and state programs—often administered by separate agencies.[23] These are sweeping changes that have profound implications for the information needs of states and the automated systems designed to meet those needs. Although automated systems in the 15 states we examined in 1999 supported welfare reform in many ways, a number of these systems have major limitations in one or more of three key areas—case management, service planning, and program oversight.[24] We found, for example, that some state and local agencies had difficulties in accessing data on the characteristics of TANF recipients that the agencies could use to identify and meet the service needs of their caseloads. We also identified a gap in the ability of automated systems to support enforcement of the 5-year TANF time limit across states. While states are making efforts to improve their systems, they face obstacles—including some at the federal level, such as the complexity of obtaining federal funding for systems projects that involve multiple agencies. To facilitate states' efforts, we recommended that HHS establish an interagency group to help overcome this and other difficulties. HHS, Labor, and Agriculture have begun meeting regularly to address these issues. Sustained high-level attention will be needed to move forward in this important area.

Welfare agencies' increased focus on helping needy adults with children find and maintain employment brings them directly into the province of the workforce development system.[25] When we reviewed the role of the workforce development system in providing services to welfare recipients in the states in 1998, we observed that workforce development and welfare systems were still largely independent. When the Congress created the Welfare-to-Work grant program in 1997, under which it authorized $3 billion in grants to be administered through the Department of Labor to help hard-to-employ individuals, it provided an opportunity for the two systems, in participating states, to collaborate. In addition, the passage of the Workforce Investment Act (WIA) of 1998, designed to integrate and streamline federal employment and training services, requires most employment and training services to be provided through a single system, called the One-Stop Center System. These recent changes in the workforce development system, along with welfare reform, give states and localities an opportunity to reassess how employment-related services are coordinated and delivered. While providing TANF services through one-stop centers is a state and local option, we noted in our 2000 report that at the local level, 24 states reported providing at least some TANF services on-site at a majority of their one-stop centers.[26] Seven states provided TANF employment and eligibility services, Medicaid, and food stamp services at a majority of their one-stop centers. While it is too early to know what service delivery approaches may prove most effective and efficient, as welfare reform and WIA implementation evolve, research will be warranted to determine best practices.

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[21] Welfare Reform: Work-Site Activities Can Play an Important Role in TANF Programs (HEHS-00-122, July 28, 2000).

[22] Welfare Reform: States' Implementation and Effects on the Workforce Development System (GAO/T-HEHS-99-190, Sep. 9, 1999).

[23] The Department of Health and Human Services oversees programs such as TANF, Medicaid, child care, and child support enforcement; the Department of Agriculture oversees food stamps; and the Department of Labor oversees employment and training programs.

[24] Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort (GAO/HEHS-00-48, Apr. 27, 2000).

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

GAO CONTACTS AND ACKNOWLEDGMENTS

For future contacts regarding this testimony, please call Cynthia M. Fagnoni at (202) 512–7215 or Sigurd Nilsen at (202) 512–7003. Individuals making key contributions to this testimony included Sonya Harmeyer, Gale Harris, Katrina Ryan, Kim Scotten, and Andrea Romich Sykes.

RELATED PRODUCTS

Child Care: States Increased Spending on Low-Income Families (GAO–01–293, Feb. 2, 2001).

Welfare Reform: Work-Site-Based Activities Can Play an Important Role in TANF Programs (GAO/HEHS–00–122, July 28, 2000).

Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort (GAO/HEHS–00–48, Apr. 27, 2000).

Welfare Reform: State Sanction Policies and Number of Families Affected (GAO/HEHS–00–44, Mar. 31, 2000).

Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches (GAO/HEHS–99–179, Sep. 7, 1999).

Welfare Reform: Information on Former Recipients' Status (GAO/HEHS–99–48, Apr. 28, 1999).

Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients (GAO/HEHS–99–22, Feb. 26, 1999).

Welfare Reform: Status of Awards and Selected States' Use of Welfare-to-Work Grants (GAO/HEHS–99–40, Feb. 5, 1999).

Welfare Reform: Early Fiscal Effects of the TANF Block Grant (GAO/AIMD–98–137, Aug. 18, 1998).

Welfare Reform: Child Support an Uncertain Income Supplement for Families Leaving Welfare (GAO/HEHS–98–168, Aug. 3, 1998).

Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence (GAO/HEHS–98–109, June 18, 1998).

Welfare Reform: HHS' Progress in Implementing Its Responsibilities (HEHS–98–44, Feb. 2, 1998).

Welfare Reform: Three States' Approaches Show Promise of Increasing Work Participation (GAO/HEHS–97–80, May 30, 1997).

Chairman HERGER. Thank you very much, Ms. Fagnoni.

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[25] We define the workforce development system as the state or local entity responsible for administering programs that originate through the Department of Labor, such as the state Employment Service or Workforce Investment Act programs.

[26] Workforce Investment Act: Implementation Status and the Integration of TANF Services (GAO/T–HEHS–00–145, June 29, 2000).

Miss Devere.

STATEMENT OF CHRISTINE DEVERE, ANALYST IN SOCIAL LEGISLATION, DOMESTIC SOCIAL POLICY DIVISION, CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS

Ms. DEVERE. Thank you.

Good morning, Mr. Chairman, Mr. Cardin, Members of the Subcommittee. Thank you for inviting me to appear before you today.

My testimony this morning will briefly summarize what we have learned from major welfare reform efforts in two areas: first, what has been the impact of policies designed to promote work, and second, what do we know about the circumstances of families who have left welfare.

The main points from my testimony this morning are: Point number one, mandatory welfare-to-work programs increase employment and earnings. However, only when mandatory welfare-to-work programs are combined with cash incentives have these programs increased income.

Point number two. There has been little, if any, impact on decisions to marry or have additional children among welfare mothers, although this has received relatively little attention.

Point number three. Mandating work among welfare mothers does not appear to systematically harm or help children.

Point number four. Most leave welfare for employment and are employed for a period of time. Loss of employment is the most common reason they return.

The bulk of welfare reform research completed since the mid-1980s has focused on the impact of mandatory welfare-to-work programs on promoting work. Evaluations indicate that mandatory welfare-to-work programs—both "work first" programs that emphasize immediate work, and programs that provide education and training—generally increase employment and often also increase earnings and decrease cash assistance payments.

However, only when mandatory welfare-to-work programs are combined with cash incentives have these programs increased income among participants. These income gains have come at the cost of increasing welfare payments and prolonging the duration of welfare receipt. At least in the short run, evaluations indicate that many TANF recipients will be unable to escape poverty through work unless provided with some form of earnings supplement.

The TANF law has two new goals for family welfare: reducing nonmarital pregnancies and promoting and maintaining two-parent families. To date, the impact of welfare-to-work programs on these outcomes has received relatively little attention. A Minnesota program reported an increase in marriage among welfare mothers, but the majority of studies indicate little, if any, impact on these outcomes.

The impact of welfare reform on child well-being has also received relatively little attention, although research is forthcoming on this issue. Available studies indicate that mandating work among welfare mothers does not appear to systematically harm or help children. In programs that combine mandatory work with cash incentives, parents report improvements in school achievement among elementary school age children. However, these children still appear to be disadvantaged when compared to the overall child population. There is very little information on the effects of these policies on infants or adolescents.

While a number of these findings have application to many State TANF programs, these programs do not encompass all the initiatives in the State TANF programs. For example, the first families will not begin reaching the Federal 5-year lifetime limit until the fall of this year. Individuals have begun reaching shorter, State-imposed time limits, but these individuals were also receiving cash incentives. The cash incentives led to an increase in income, but when the recipient reached the time limit, they were no better off than those not subject to the time limit as their income decreased when they lost the cash incentives. As the evaluations illustrate, it is possible that these policies may have offsetting effects.

Recently, there has also been considerable interest in the circumstances of those who have left welfare. Based on results from studies in 38 States and the District of Columbia, the majority leave welfare for employment. Thus far, a relatively small share of the national caseload has been removed from the rolls for time limits or reported as sanctioned off the rolls. Compared to those who left welfare for other reasons, individuals whose benefits were cut off by a time limit do not face increased difficulties or hardships.

Between 55 and 65 percent of welfare leavers are employed at any given time, with average hourly wages ranging from $5.50 to $8.80 an hour. Although the majority of leavers are employed, based on wages alone, many remain poor.

A number of welfare leavers continue to receive food stamps and Medicaid. Among those not participating in these programs, some welfare leavers did not think they were eligible, while others said they did not need these services or that it was too much hassle to receive them. A number of eligible welfare leavers received child care subsidies, while some indicate a lack of need for these subsidies.

In a very small number of studies, less than half said that they had filed for or received the earned income tax credit. Between 18 and 35 percent of leavers have returned since exit, with lack or loss of employment the most common reason for return.

Mr. Chairman, this concludes my formal statement. I would be happy to answer any questions that you or Members of the Subcommittee may have.

Thank you.

[The prepared statement of Ms. Devere follows:]

Statement of Christine Devere, Analyst in Social Legislation, Domestic Social Policy Division, Congressional Research Service, Library of Congress

Good morning Mr. Chairman, Mr. Cardin, Members of the Subcommittee. Thank you for inviting me to appear before you today. My testimony this morning will briefly summarize what we've learned from major welfare reform efforts in two areas. First, what has been the impact of policies designed to promote work; and second, what do we know about the circumstances of families who have left welfare? This testimony is an update of work completed by the Congressional Research Service at the request of the House Committee on Ways and Means, included as Appendix L in the 2000 House Committee on Ways and Means Green Book.

The main points from my testimony today are as follows:

1. Mandatory welfare-to-work programs[1]—both programs that emphasize work and programs that emphasize education—increase earnings and employment, and generally decrease cash assistance payments.

2. The impact of welfare-to-work programs on decisions of welfare mothers to marry or have additional children has received relatively little attention. Available findings suggest little, if any impact on these outcomes.

3. Most mandatory welfare-to-work programs have reported no impact on total income, as participants often replace welfare benefits with earnings. Some mandatory work programs that include financial incentives to work have been particularly effective in raising income among program participants, although these income gains have come at the cost of increasing welfare payments and prolonging the duration of welfare receipt.

4. Mandating work among welfare mothers does not appear to systematically harm or help children. Parents in mandatory work programs that also include financial incentives to work, that raise the income of working parents, report improvements in school achievement among elementary school-aged children. However, this finding is based on a small number of studies, and these children still appear to be disadvantaged when compared to the overall child population.

5. Among those who leave welfare, the majority attribute their exit to employment and are employed for a period of time, although the data suggest that some employment is not continuous. Based on wages alone, many former welfare recipients remain poor and continue to receive Medicaid and food stamps, although participation rates in these programs have also fallen as the welfare caseload has declined. Among those who have returned to welfare, loss of employment is the most common reason.

EVALUATING POLICIES TO PROMOTE WORK

Since the mid-1980s, states and localities have increasingly experimented with policy initiatives designed to promote work and end dependency on government benefits. These welfare reforms have included work requirements, financial rewards for work, financial penalties for failure to engage in work, time limits on benefits, rules to promote marriage, and rules to penalize additional births to welfare mothers. Formal evaluations were required of many of these initiatives as a condition of waiving federal rules under AFDC, prior to enactment of the welfare reform law of 1996. Congress and welfare reform administrators wanted to know what worked and for whom and at what cost. To date, what we have learned from policies to promote work is from programs initiated before the 1996 welfare reform law. Many states have built their TANF programs on elements of their AFDC waiver programs and some have converted their welfare-to-work provisions under these waiver programs into their TANF programs. Thus, while evaluations discussed in this review are of programs that precede the 1996 law, some of the findings have application to TANF programs.

Evaluation studies of welfare-to-work programs examine the difference that policy changes made on selected outcomes, or their "impact." They do so by comparing outcomes, such as earnings and employment rates under a new set of policies versus what would have occurred in the absence of these policies. These impact evaluations have examined two kinds of programs that seek to move recipients from welfare to work. The first type of program is a "work first" program with a strong employment focus, where immediate job search is usually required among participants. The second type of program requires participation in education or training among participants, also referred to as a "human capital development" program. While the focus of these programs is employment or education, these programs often include other policy initiatives such as increased supportive services, time limits on assistance, financial penalties for noncompliance, and policies to discourage out-of-wedlock births.

- Mandatory welfare-to-work programs—both work-first programs and programs that provide education—increase employment and earnings, and generally decrease cash assistance payments.

The bulk of welfare-to-work research has focused on the impact of these policies on promoting work and ending dependence on cash benefits. Among welfare-to-work programs, evaluations find that mandatory welfare-to-work programs generally increase employment, and often also increase average earnings and decrease cash assistance payments. These findings apply both to work-first programs and programs that provide education and training. This increase in employment reported in the evaluations is also consistent with national data that illustrate an increase in the employment rate among single mothers from 57% in 1992 to almost 73% in 2000.[2] Though both types of programs have succeeded in raising employment and earnings, their impacts appear at different times. Work-first programs produce immediate impacts because they emphasize immediate work. However, their impacts sometimes fade, as individuals subsequently lose their jobs or those in the comparison group find employment. Programs that emphasize education have delayed impacts, as individuals receive education or training for a period of time before they enter employment. Of the welfare-to-work programs evaluated, two of the most effective provided "work first" for some participants, but provided basic education for those determined to need it before entering the labor force. These programs are commonly referred to as "mixed services" programs.

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[1] For purposes of this testimony, mandatory welfare-to-work programs are those programs that require participation in some activity as a condition of continuing welfare benefits. Some of these programs have emphasized a work-first approach where the focus is immediate employment,while others have reburied participation in education or training.

- The impact of welfare-to-work programs on decisions of welfare mothers to marry or have additional children has received relatively little attention. Available findings suggest little, if any impact on these outcomes.

The TANF law set two new goals for family welfare: reducing nonmarital pregnancies and promoting and maintaining two-parent families. The impact of welfare-to-work programs on encouraging marriage and reducing out-of-wedlock births has been the subject of much less systematic analysis than changes in employment and earnings. Among the small number of evaluations that examine these outcomes, the majority report that these policies have had no impact on decisions to marry or have additional children among women receiving welfare. One evaluation of a welfare-to-work program in Minnesota reported that the state's welfare policy initiatives led to an increase in marriage among single mothers and a decrease in marital breakup among two-parent families, but these results have not been reported in other evaluations. Evaluations of programs targeted at teenage mothers have also found no significant impacts on rates of pregnancy or childbearing. Evaluators of these programs contend that the "right" mix of interventions to help teenage parents has not been found.

- Most mandatory welfare-to-work programs have reported no impact on total income, as participants often replace welfare benefits with earnings. Some mandatory work programs that *include financial incentives* to work have been particularly effective in raising income among program participants, although these income gains have come at the cost of increasing welfare payments and prolonging the duration of welfare receipt.

A recent focus of welfare reform research has been to examine programs that mandate work, but also offer financial incentives to work. These programs, which include the Minnesota program mentioned above, allow participants to combine work and welfare by disregarding a larger percentage of their earnings than was previously allowed in determining their continuing eligibility for cash benefits. Under TANF, the vast majority of states are offering some form of a financial work incentive to welfare recipients. Evaluations illustrate that financial incentives to work have been particularly effective in increasing employment and earnings. Additionally, while programs that mandate work report no impact on income, these financial incentives to work have been effective in raising the total income among program participants. However, these income gains have come at the cost of increasing welfare payments and prolonging the duration of welfare receipt. Evaluations indicate that, at least in the short run, many TANF recipients will be unable to escape poverty through work unless taxpayers provide an earnings supplement of some kind.

- Mandating work among welfare mothers does not appear to systematically harm or help children. Parents in mandatory work programs that also include financial incentives to work, that raise the income of working parents, report improvements in school achievement among elementary school-aged children. However, this finding is based on a small number of studies, and these children still appear to be disadvantaged when compared to the overall child population.

Most federal and state welfare policies apply directly to parents, not children. At the time of passage of TANF, some proponents maintained that the new program would help children by increasing earnings and hence family income, thereby providing more resources to meet children's needs, and by also giving children the positive role model of a working parent. However, policies that promote and support work may also alter the child's well-being in other ways. For example, they may increase tension or stress in the adult's life because of the need to balance work with home and child care responsibilities. In addition, requiring mothers to work reduces their time to nurture children and requires them to find other caregivers. Some critics maintained that TANF time limits and mandatory work requirements could result in harmful outcomes for children.

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[2] For additional information, see CRS Report RL30797, *Trends in Welfare, Work, and the Economic Well-being of Female-Headed Families with Children,* by Thomas Gabe.

Evaluations of mandatory welfare-to-work programs report few impacts on child outcomes, with the bulk of this research focused on elementary school-aged children. The few impacts have been small, and have been both positive and negative. Parents in mandatory work programs that also include financial work incentives report improvements in school achievement among elementary school-aged children, but these children appear to remain at risk given their high levels of disadvantage. At the same time, parents in a time-limited welfare-to-work program in Florida also reported a decrease in school achievement among adolescents. Additional research on the impact on child well-being is forthcoming.

While evaluations discussed in this review are of programs that preceded the 1996 law, some of the findings have application to TANF programs as many states have included similar policy initiatives in their state TANF programs. However, it is important to point out that these programs do not encompass all the initiatives undertaken by the states in their TANF programs. Additionally, while some individuals have reached state-imposed time limits in these programs, families will not begin reaching the 5-year lifetime limit on federal TANF assistance until the fall of 2001. Evaluations of shorter, state-imposed time limits thus far provide little evidence that time limits had led recipients to leave the rolls early or that recipients have seen a decrease in income after reaching the time limit, when compared to welfare recipients who were not subject to time limits. However, results thus far are from programs that include both time limits on assistance and financial incentives to work, policies that may have offsetting effects. The time limit may induce some persons to leave welfare quickly and "bank" welfare months for later use in time of need (although research has not found this effect), but generous earnings disregards are an incentive to remain on welfare while working.

MONITORING FORMER WELFARE RECIPIENTS (THE "LEAVERS")

Recently, there has been considerable interest in the circumstances of those who have left welfare, commonly referred to as welfare "leavers." The large decline in the welfare caseload that has occurred since 1994 has been welfare reform's biggest surprise. States have initiated and completed studies of welfare leavers to better understand how those who exit welfare are faring. These leaver studies have used administrative data or survey data (and in some instances, both types of data), and the results differ by the type of data used. The studies also illustrate the difficulty in finding individuals once they leave welfare. The results presented here are an update to the work completed in the House Committee on Ways and Means 2000 Green Book and provide an overview of results from studies of those who have left welfare in 38 states and the District of Columbia.

- Among those who leave welfare, the majority attribute their exit to employment and are employed for a period of time, although the data suggests that some employment is not continuous. Based on wages alone, many former welfare recipients remain poor and continue to receive Medicaid and food stamps, although participation rates in these programs have also fallen as the welfare caseload has declined. Among those who have returned to welfare, loss of employment is the most common reason.

The majority of those who leave welfare attribute their exit to employment, as was the case under AFDC. Thus far, a relatively small share of the national caseload has been removed from the rolls because of time limits or reported as sanctioned off the rolls. Compared to those who left welfare for other reasons, individuals whose benefits were cut off by a state-imposed time limit do not appear to face increased difficulties or hardships.

Employment rates vary considerably, but the majority of studies report employment rates between 55% and 64% within three months of exit or at the time of the survey. However, the percent of leavers never employed since their exit is much higher (between 63% and 91% of respondents) and indicates that a number of leavers are not continuously employed. The average hourly wage reported among welfare leavers ranged from $5.50 to $8.80 per hour. Among those who leave welfare and are not employed, the two most common barriers to employment or reasons for unemployment are health, physical or mental illness, or the inability to find a job.

Although the majority of welfare leavers are employed, based on wages alone, welfare leavers in a number of states remain poor. For example, a Missouri leaver study reported that 2 years after exit, 63% of single mothers with children under the age of 18 were below poverty, and 92% were at or below 185% of the federal poverty level. The leaver studies illustrate that between 58% and 87% of families had at least one member, either an adult or child, receiving Medicaid since exit or at the time of the survey. When examined separately, the rates of participation in Medicaid are higher for children than adults, and adults are more likely to be uninsured. The studies also report that between 46% and 78% of leavers are participating in food stamps. Reasons for not participating in Medicaid and food stamps among leavers vary. Some welfare leavers did not think they were eligible for these services, while others indicate that they did not need these services or that it was too much hassle to receive them. Between 20% and 67% of eligible welfare leavers were receiving child care subsidies, while a number of respondents indicate no need for these subsidies. Child support also appears to be an important source of income among welfare leavers. While a large number of individuals are leaving welfare for work, less than half of welfare leavers indicate that they have filed for or received the Earned Income Tax Credit.

State leaver studies illustrate that less than half of leavers appear to be experiencing hardships after exit from welfare. Whether these problems have increased or decreased since exit varies by state and by the outcome measured. A few states have reported increases in instances where leavers experienced difficulties paying bills and/or arranging housing since exit, while other states have reported decreases in these hardship measures since exit. However, problems acquiring medical care and, on occasion, food have increased among leavers since cash welfare exit.

Employment is the reason the majority of recipients leave welfare, and lack or loss of employment is the most common reason individuals return to welfare. Among leavers who remained off welfare for at least 2 months, between 18% and 35% had returned for a period of time since exit. Although lack of employment is the most common reason individuals return to welfare, there is some evidence that those who leave for income-related reasons are less likely to return than those who leave welfare for failing to comply with program requirements.

Mr. Chairman, that concludes my formal statement. I'd be happy to answer any questions that Members of the Subcommittee may have. Thank you.

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Chairman HERGER. Thank you, Miss Devere and Miss Fagnoni. We will recess for the vote and come back immediately after voting and continue with questions. Thank you.

[Recess.]

Chairman HERGER. If we could have our witnesses again, please, we will return for questions. Thank you.

Miss Fagnoni, our hearing today is on research on the effects of welfare reform, and we have seen some very dramatic, I think, positives. Caseloads are down by more than 50 percent; work by current and former welfare recipients is higher than ever before; and at the same time, child poverty is down significantly. More than two million children have been lifted out of poverty since the law passed, which is certainly not what some felt might be the case before, so that is very positive. These changes are without precedent, I believe, in the history of welfare reform, which dates back many decades. But I know there is much left to be done.

Would you agree that the '96 welfare reform law, in general, so far has been a success on these counts, and maybe some further thoughts in some areas that we might be concentrating on as we go into the reauthorization for next year.

Ms. FAGNONI. Certainly, Mr. Chairman, there is an agreement on the facts you have stated, that there has been a dramatic decline in the welfare caseload, much more dramatic than I think either opponents or proponents might have predicted. As our research and others has borne out, those who have left welfare have an attachment to the workforce, not always a consistent one, but a start at working. So there have certainly been changes that are consistent with the goals of welfare reform legislation, particularly as they relate to moving from welfare to work.

Two areas that we and others have identified as ones that will need continued attention as welfare reform evolves have to do with, helping those people who move from welfare to work stay in the workforce and, while they're in the workforce, enhance their ability to increase earnings as most of them do enter into low-paying jobs. We also need to pay more attention to people who remain on welfare and try to understand what States need to do to help make sure that those welfare recipients are employable, particularly as the Federal time limits start to come into play this fall.

So I think those areas, the whole area of work-based strategies, both for those who have left welfare as well as those who remain, need continued attention and focus on specific strategies that might help people move forward from here.

Chairman HERGER. Thank you.

Miss Devere, would you have any comments on this?

Ms. DEVERE. I would concur with everything Miss Fagnoni has said about those who leave, in terms of their employment, in terms that they appear to have attachment to the workforce. I would also probably add that, with the impact evaluations, where we have looked at the policies designed to promote work, they have shown an increase in earnings and employment. So in terms of promoting work among welfare recipients as the stated goal of TANF, these policies appear to be successful in doing that.

Chairman HERGER. Thank you.

Again, Ms. Fagnoni, in your testimony you mentioned that a majority of TANF recipients in 1999 were not working, and that, of course, is after a steep decline in the caseload during which many of the former recipients went to work, while others never came on to the rolls and instead supported themselves and their families.

It is useful to note that the percentage of working welfare recipients rose from 17 to 25 percent between 1997 and 1999, so the trend is in the right direction. But still, some have expressed concern that this 25 percent figure seems low. So I would like to get a little context for that number.

First of all, how does this compare with the percentage of AFDC and TANF recipients who worked prior to welfare reform, say, in 1994 and 1995?

Ms. FAGNONI. As you correctly point out, the numbers of people who are receiving TANF and in unsubsidized work has increased, and prior work on AFDC indicated that at any point in time a very small percentage of AFDC recipients were combining welfare with unsubsidized work, and as you also point out, part of what has happened is the caseloads have declined and part of that is people moving from welfare to work.

But at the same time, one of the reasons we were asked to look at what we know about people who remain on TANF, is to recognize or understand, what might be some specific issues that we have to pay attention to as we get closer to the Federal time limits. So I do think we have seen a trend moving upward, not just in terms of people combining welfare with unsubsidized work, but also with States efforts to ensure that people are in some kind of work activity, even when they are not employed. I think this is also something that States are paying increasing attention to, to make sure that people currently on TANF are receiving the kinds of work activities they need to help them become employed.

Chairman HERGER. Thank you.

Would the gentleman from Texas wish to inquire?

Mr. DOGGETT. Very much, Mr. Chairman.

Texas, my home State, is one of those that benefits from the supplemental grant program under TANF. I'm just wondering what impact you found—I missed the first part of your testimony—that has had in the States that receive it.

Ms. DEVERE. In terms of the evaluations, they haven't specifically looked at the impact of a supplemental grant, what they have done or what we know. There is a CRS report on this topic that I would be happy to pass along to you, that supplemental grants have increased the average rate of payment in these States, for those families that may have received lower payments under TANF. So they were designed to increase the rate of payment to the individuals in these States, and they have accomplished that.

In terms of what impact they have had, I don't know that we have any specific evidence that would relate specifically to the supplemental grants.

Mr. DOGGETT. What portion of the TANF funds are being spent to promote employment?

Ms. FAGNONI. I don't think we really have aggregate figures on that. We do have some specific information that tells us that States are spending a smaller percentage of their TANF funds on direct cash assistance to individuals and a greater percentage of those funds on supportive services, such as child care, transportation subsidies, other kinds of services that an individual might need.

Mr. DOGGETT. What impact have income supports, like child care and food stamps, had on encouraging people to move from welfare to work?

Ms. FAGNONI. I think there's pretty widespread agreement that, particularly those supportive services that are most closely linked to helping somebody move into the workplace—particularly in most cases these are mothers with children, often young children—that the child care subsidy is important for those who choose to use it, and transportation—not just subsidies, but also arrangements to help people with their transportation needs—are very important.

Mr. DOGGETT. We've had a pretty big backlog in the area that I represent, with almost as many people on the waiting list for getting subsidized child care as receiving it. Does the lack of access to affordable child care remain a barrier to people moving from welfare to work?

Ms. FAGNONI. We just issued a report where we looked at the States' child care funding. What we found was that States have, in fact, increased their funding for child care, both through TANF funds as well as their own State funds. But at the same time, States have set priorities in terms of who they will serve through those child care subsidies.

What States told us was that they are able to meet the needs of the people for whom they have set the higher priorities, and those tend to be women receiving TANF, but they are more concerned that they may not be able to meet the needs of all those who are eligible for child care subsidies, including those who may not be receiving TANF but are still low income mothers in the work force.

I will say, too, that it's very difficult to really know what the demand for child care is that may be unmet, because not all States keep waiting lists. I know Texas does, but other States don't. So it is not easy to get a handle on what might or might not be unmet needs.

Not all mothers who need child care rely on subsidies. They may rely on more informal kinds of arrangements that don't require subsidies.

Mr. DOGGETT. Thank you very much.

Chairman HERGER. Thank you.

Would the gentleman from Michigan, Mr. Camp, like to inquire?

Mr. CAMP. Thank you, Mr. Chairman, and thank you both for testifying today.

I just wanted to highlight something that I keep hearing a lot about. Sometimes we have to clear away some of the misunderstandings because people use information in different ways. But I just think it is significant that child poverty has fallen as a result of welfare reform, and that we had a lot who predicted that one million children would be cast into poverty as a result of the reform legislation that we passed. What we have really found is that more than two million children have been lifted out of poverty since 1996.

I think what happens is that some organizations use statistics that do not include the government benefit levels that families receive or that children receive to skew these numbers.

Could both of you comment on that, on the decline? I think that's probably——

Ms. DEVERE. Do you mean in terms of calculating income that's available to these children in relation to the poverty rate?

Mr. CAMP. Yeah. If you could tell us how much percentage the rate has fallen, you know, some of the statistics behind this. For example, I understand it's the lowest level since 1979.

Ms. DEVERE. Right. In 1996, the poverty rate among all children in families was 19.8 percent, and it fell to 16.3 percent as 1999. Among children in female-headed households, the rate was 49 percent in 1996, and it fell to 42 percent in 1999. So it has fallen since the enactment of the welfare reform law.

Mr. CAMP. What do you attribute that to, outside the scope of——

Ms. FAGNONI. It's not something we have——

Mr. CAMP. You have not studied or analyzed?

Ms. DEVERE. Right. It would be purely speculation.

Mr. CAMP. OK. Thank you.

Thank you, Mr. Chairman.

Chairman HERGER. Thank you.

Our Ranking Member, Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman. Let me thank both of our witnesses, not only for their testimony but for the continued help of both of your agencies in the work of our Committee. We very much appreciate that.

Ms. FAGNONI. Thank you.

Mr. CARDIN. It seems to me, as I listen to your testimony, we have some inconsistencies in the current law; that is, Miss Devere, you were indicating that families do much better and they can't get out of poverty unless there is some supplemental income or incentives—I think you said cash incentives—and that vocational training helps a person succeed more in the workplace.

Yet, if I understand the current restrictions in TANF, if a State wants to provide direct supplemental help, the clock continues to run. So there is a direct disincentive for a State, even though we claim to give them maximum flexibility, there is a direct disincentive for a State to provide cash incentives for people that are working.

The second point is, vocational training is not considered an acceptable work activity, so we are again making it difficult for people to get training that they need. Am I correct in interpreting your testimony, that in both of those cases, if we want people to be out of poverty, they need one or two of those combinations?

Ms. DEVERE. In terms of what the evaluations have shown us—when I speak of the cash incentives, what I'm speaking of are what are also referred to as earnings disregards in the States, where they disregard a portion of income among those receiving welfare, to allow them to continue to work at a higher wage and continue to receive welfare.

Mr. CARDIN. Cash assistance.

Ms. DEVERE. Yes. Exactly, cash assistance. That's what I——

Mr. CARDIN. Doesn't the 5-year clock run?

Ms. DEVERE. In terms of Federal TANF funds, yes, it continues to run. If the State wants to stop the clock—and there are some States that have stopped the clock, in terms of continuing to provide assistance——

Mr. CARDIN. They use 100 percent State money.

Ms. DEVERE. They have to use 100 percent State money.

Mr. CARDIN. Maryland is one of those States that's looking at using 100 percent State money. But it seems like you're really putting a burden on the individual and on the system, if you believe that cash incentives are appropriate for people who are working so that they can make it. But some States are doing it by using the clock or using their own dollars.

Ms. DEVERE. Yes.

Mr. CARDIN. Now, if I understand, when you took a snapshot, there was 64 percent of the people that were in the workplace that had left welfare.

Ms. DEVERE. Yes.

Mr. CARDIN. I'm curious as to where the other 36 percent are. I am also curious as to—You have also indicated that the average income is between $9,500 and $15,000, I believe.

Ms. DEVERE. Yes.

Mr. CARDIN. Which is below the poverty level for most who are receiving it. Do we have any indication of how many are succeeding to move up the economic ladder that are currently in the workforce? Do we have any information on that? Either people who are not working, where are they, and what happened to them? Either one.

Ms. DEVERE. Among those not working, we have very little information on the population of people who have left TANF and are not working. What we do know is that they tend to be in families where there is income of others that they rely on. So they tend to perhaps be living with a boy friend or with other family members and relying on that income.

In terms of what they're doing, we don't have other information with regards to that.

Ms. FAGNONI. The other thing about that measure is, at a given point in time, a survey will ask at a given point in time, "are you working?" They will get one statistic. But if they ask another question, which is, "have you ever worked since you left TANF", let's say, or "worked within the past 12 months", the percentages will be a little higher. So what it shows is a picture of people who have worked at some point after they left welfare but not necessarily continuously.

Mr. CARDIN. Do you have any information about the promotional ability of people who have left welfare, that are in the workplace, whether they have been able to move up the employment ladder, the economic ladder? Do we have any information on that?

Ms. FAGNONI. I think you cited some that suggested a little bit of earnings increase; is that correct?

Ms. DEVERE. In my testimony, as far as wage progression, we actually don't have any information from the current leaver studies. The Department of Health and Human Services is currently doing an evaluation of employment retention and advancement strategies in a number of sites, to get at this exact question of what is the wage progression, but we currently don't have a lot of information.

Mr. CARDIN. Lastly, do we have any information about those States that have provided post-employment services, where there has been greater success with people in the workplace staying in the workplace and progressing in the workplace?

Ms. FAGNONI. We have some anecdotal information from our site visits. We have some specific examples—and I cited one from Grand Rapids, where they have placed case workers with the employees, trying to work with them once they've moved into the workforce. What they have shown is actually a retention rate higher than those people who work at that same company who were not on welfare. In other words, when you compare them to other workers, that kind of assistance—case management-seems to be helping keep people in the workforce; case management could involve giving a worker some assistance if they have a problem that might prevent them from coming to work. But that's pretty anecdotal at this point.

But like I said, there are some examples from site visits that suggest there are some strategies that help keep people in the work force.

Mr. CARDIN. Mr. Chairman, I guess the bottom line is that we really don't have hardcore data. We just know—the gut view is that it helps—but we don't have anything that would empirically show——

Ms. FAGNONI. Not that it tells us on a broader basis, right.

Mr. CARDIN. Thank you.

Chairman HERGER. Thank you very much.

I was just looking at the testimony of one of our next witnesses, Mr. Greenberg, and if I can just quote from that, he mentions the Institute for Research on Poverty's tracking, where they did some tracking in Wisconsin. Of the families there that left welfare in 1995, it says the median earnings in 1998 were $8,608 the first year, and then it went up to $9,627 in the second year, and then up to $10,924 in the third year, which was an increase of at first 12 percent, and then 13 percent. So evidently, in at least one study we know that earnings went up—and I'm sure we can get into that with our next witnesses.

The gentleman from Pennsylvania, Mr. English. Do you have any questions?

Mr. ENGLISH. Thank you, Mr. Chairman. I appreciate the opportunity to inquire.

Ms. Fagnoni, it's great to have you back before the panel. You state in your testimony that while many recipients have one or more characteristics that are considered barriers to work, like, for example, substance abuse, poor health, low basic skills, many, in fact, do find jobs. This was a very important part of our debate when we were originally passing TANF.

Is there now any evidence from some States that, with the right supports, most people are able to find work and should be able to find work?

Ms. FAGNONI. I think what we see right now, based on our most recent study—we have a report that will be issued within the next month—we find that States are focusing on the people who remain on TANF. States are trying to develop some strategies to help those who remain on the TANF move into the work force particularly where they have determined that they failed to get a job initially. I think at this point it's too early for us to be definitive about which strategies work. But certainly States are in the process of working through that.

Mr. ENGLISH. But there seems to be a fair amount of evidence, though, that some of the State strategies clearly are overcoming these barriers; isn't that fair to say?

Ms. FAGNONI. What people told us was that it's not so much a particular, say, barrier or problem that an individual has, but, rather, what kind of support structure that individual might have in place to help them overcome that barrier.

For example, two women may have some of the same problems, with one having more of a support structure, both at home, and perhaps with some help from case workers. The one with more of a support structure might be able to make that transition from welfare to work, while somebody else might not. So I think it's correct that supports can make a difference.

I think what we don't know is how many people who remain on welfare really can——

Mr. ENGLISH. Looking at it from a different perspective, have you done any assessments, or have there been assessments done of how many parents, who never went on welfare, have faced such hurdles and remained actively engaged in the work force on a year-to-year basis?

For example, we know there are millions of workers with low basic skills, who work and don't draw welfare. Can we draw any conclusions from that?

Ms. FAGNONI. Let me say two things. First of all, I don't think there's been any study that's tried to get at the array of issues that people face, that include types of problems that are more difficult to document, such as substance abuse and domestic violence.

But I do think, if one looks at some of the characteristics of people that are more easily measured—such as not having a high school diploma or not having any prior work experience—that these are challenges for people, whether or not they are receiving TANF. It is also a challenge if they are a single parent trying to raise a child.

Quite frankly, a number of the women receiving TANF are individuals who, at some point, may very well have not been receiving TANF and working at low-income jobs. So I think what you have is a population that faces challenges. Certainly you have variations and patterns in terms of who can work and who hasn't been able to work. But I think people are sort of pushing at this notion that, even with some challenges, with the right kind of supports they can work. People with low skills are vulnerable.

Mr. ENGLISH. Let me bring out a specific example. Under the Thompson administration, Wisconsin cut its caseload by roughly 90 percent. Certainly many of those parents faced these same sorts of hurdles, as we see among current recipients in the studies you cite.

I'm wondering, is Wisconsin an anomaly? What did Wisconsin do to make sure they were able to go to work, and are other States capable of replicating this record?

Ms. FAGNONI. Wisconsin certainly is an example where they were one of the early leaders in terms of revamping their welfare system. They gave strong signals to welfare recipients and those applying for welfare, that they expected people to first look for a job, with their assistance. They actually merged their human services and their work force departments to send that signal.

In Wisconsin, when one goes to apply for welfare benefits, one goes to a work force office, where they can get a whole range of services that are related to jobs. But Wisconsin has also increased funding on child care, on transportation subsidies. They have their own State earned income tax. So what they have done is a combination of more stringent requirements, sanctions if the requirements aren't met, but also a more generous set of supports to help move people from welfare to work.

Mr. ENGLISH. Thank you for your testimony. Thank you, Mr. Chairman.

Chairman HERGER. Thank you.

Mr. Levin from Michigan.

Mr. LEVIN. Thank you. I'm sorry I missed your testimony. I am glad to join you, Mr. Chairman, and Mr. Cardin and Mr. English.

If I might, let me ask a few questions that I have, and find out if they have been covered already. I don't think so.

Number one, does your study estimate the number of people who have moved from welfare to work who remain under the poverty level?

Ms. DEVERE. There are a number of studies that have done that. For example, there is a study in Missouri of people who have left welfare, and 24 months after exit, 63 percent of single mothers with children under the age of 18 were in poverty. That's just an example. The States all do it very differently, and they include different measures. But the study in Missouri included a measure of total income to try to come up with that number.

Mr. LEVIN. OK. I take it that that should give us some pause and indicate the work ahead, that there has been substantial progress in people moving from welfare to work and less progress in their moving out of poverty, if the Missouri study is any indicator.

By the way, we're not gathering that data on a rigorous, systematic basis, State by State? We don't require States to do that, do we?

Ms. DEVERE. Not on a rigorous, State-by-State basis. The State leaver studies primarily, to date, have been initiated by the States. There is a small core of these that have been funded by the Department of Health and Human Services. But the States have been doing them on their own and, therefore, they have been exploring questions that relate specifically to the State policies. So whether or not they ask the mother to report income in order to calculate how it compares to a poverty level differs and varies among the studies.

Mr. LEVIN. Mr. Chairman, I would hope we would look at the whole issue of whether we're collecting adequate data to know what is really happening in the lives of people. Though, again, there has been substantial success and people moving into the work structure.

Secondly, data on health care coverage for those who have moved from welfare to work, I have seen some from Michigan and some from other States. Have you already covered that?

Ms. DEVERE. I haven't covered it. It's in my written testimony. The percentages that I report in my written testimony shows that, among those who have left welfare, when they're asked this question, the range is from 58 percent to about 87 percent of someone in the family receiving Medicaid.

It is far more likely that an adult would be uninsured when they leave welfare than it would be for a child. But it varies, generally, though, indicating that at least half are receiving Medicaid, or someone in their family is receiving Medicaid at the time of the study.

Mr. LEVIN. But that would mean a substantial number, mostly women, who are moving from welfare to work, especially after the year in which the transition to Medicaid is supposed to be in effect, that a substantial number of people who have moved from welfare to work no longer have health care?

Ms. DEVERE. They may no longer have health care through Medicaid. There is a small percentage who are receiving employer-provided health insurance. Again, it's a very small percentage.

There is evidence that there's a percentage of those who have left welfare for work who do not have health insurance.

Mr. LEVIN. Again, we don't require the States to gather that data on a systematic basis. I don't think we do.

Ms. DEVERE. I don't know that information.

Mr. LEVIN. One last question so we can go on.

I understand that there has been some discussion about the number of people who remain on TANF and how many of them have health problems. Is there any evidence as to how many of them have problems with mental health?

Ms. FAGNONI. There have been some specific studies that have tried to take a look at that. We don't have anything at a national level.

Actually, one of the most comprehensive studies comes out of your State. The University of Michigan has some researchers who have done very in-depth studies, looking at a range of disabilities. I think the ranges are anywhere from about—I think they hover around 60 percent, in terms of one or more difficulties. I think mental health is an area where there are problems. It's very difficult to measure. They have developed a strategy, an assessment tool, to try to help them measure that. It's probably one of the better sources of information on that.

Mr. LEVIN. Mr. Chairman, for those who remain on TANF, a very substantial number, according to that study, anyway, have some serious—I'm not sure the word "serious" was used—have some substantial health problems. Again, I think that points to the challenge ahead.

Thank you very much.

Chairman HERGER. I want to thank our panelists for your great testimony.

Ms. DEVERE. Thank you.

Ms. FAGNONI. Thank you.

[Questions submitted from Chairman Herger to the panel, and their responses follow:]

U.S. GENERAL ACCOUNTING OFFICE
Washington, DC 20548

1. It is useful to note that the percentage of working welfare recipients rose from 17 percent to 25 percent between 1997 and 1999, so the trend is in the right direction. Still, some have expressed concern that this 25 percent figure seems low. So I'd like to get a little context for that number:

A. How does this compare with the percentage of AFDC/TANF recipients who worked prior to welfare reform, say in 1994 or 1995?

In fiscal year 1995, 8.8 percent of AFDC mothers held part-time or full-time jobs in an average month, based on data from *HHS' Characteristics and Financial Circumstances of AFDC Recipients, 1996.* Our analysis of HHS data on TANF showed that 17 percent of adult recipients were engaged in unsubsidized employment in 1997 and 25 percent in 1999. While the data sources and employment measures for the AFDC and TANF data are somewhat different, it appears that more welfare recipients than previously are combining welfare and work.

B. How many current recipients were working, but perhaps not enough hours to satisfy the Federal definition of "work" (which is 30 hours per week)?

As noted above, in fiscal year 1999 about 25 percent of adult TANF recipients were in unsubsidized employment in an average month. However, many more recipients—a total of 885,466 adults or 42 percent of all adults receiving TANF assistance—were participating in unsubsidized employment or some other PRWORA-specified work activities for an average of 27.5 hours per week during this time. Information is not currently available from HHS on TANF recipients whose average weekly hours of participation in PRWORA-specified activities did not reach 25 hours per week, which was the minimum weekly average required in fiscal year 1999. This rose to 30 hours per week for fiscal year 2000.

C. How many were participating in other activities to prepare them for work, but which do not satisfy the definition of "work activities" in the law?

As allowed under TANF, state TANF programs may include work activities beyond those specified in PRWORA as counting for the purposes of calculating Federal participation requirements. According to the Congressional Research Service in *Welfare Reform: Work Activities and Sanctions in State TANF Programs, Nov. 2000*, most states provide activities in addition to those federally-specified. These activities range from postsecondary education to rehabilitative services to substance abuse and mental health treatment. However, HHS does not require states to report on the participation in these activities.

D. Isn't there recent data from the Urban Institute's National Survey of America's Families that show the numbers of people working while receiving TANF continues to increase?

The Urban Institute's National Survey of America's Families (NSAF) shows that there was a statistically significant increase in the percentage of TANF recipients who were working from 1997 to 1999—from 22 percent in 1997 to 32 percent in 1999. The 1999 NSAF data show that an additional 25 percent of TANF recipients were looking for work and another 9 percent were in school. This leaves 33 percent who were identified as having no activity—a statistically significant decrease from the 43 percent with no activity in 1997. See *How Well Does TANF Fit the Needs of the Most Disadvantaged Families?, Dec. 2000,* a report by Sheila Zedlewski and Pamela Loprest of the Urban Institute.

2. Please describe the range of benefits and work supports outside of TANF that help recipients find and keep jobs. I'm thinking here of Federal and state programs like food stamps, Medicaid and other health coverage, housing, job training and education, child care, child support, transportation, and cash supplements like the EIC.

In our welfare-related work, we reported that frontline TANF workers are drawing on other non-TANF Federal and state programs as state welfare agencies focus on moving needy families toward economic independence.[1] These programs, often administered by separate agencies, provide a wide array of services ranging from those designed to meet families' basic needs for food and shelter to those that provide employment and training services and support services, such as subsidies for child care. While local welfare agencies typically administer eligibility determination for TANF, food stamps, and Medicaid, other programs that provide key services to TANF clients may be administered by separate entities, such as housing authorities or education agencies. In addition to TANF, the following programs, among others, can be important in helping low-income adults with children find and keep jobs:

- Food Stamps
- Medicaid
- Child Support Enforcement
- Child Care Subsidies
- Housing Subsidies
- Welfare-to-Work Grant
- Workforce Investment Act programs, including employment services
- Earned Income Credit (EIC)

Welfare agencies have increased their focus on employment, bringing the welfare system and the work force development system closer together. We reported in *Work force Investment Act: Implementation Status and the Integration of TANF Services (GAO/T-HEHS-00-145 mo. YEAR, Jun. 2000)*, that with the passage of the Work force Investment Act (WIA) in 1998, states and localities are now required to use one-stop centers to provide most Federally funded employment and training services. These one-stop centers provide at least 17 major education and employment and training programs either on-site, through electronic linkages with partner agencies, or by referral. While services funded by TANF are not a mandatory part of this one-stop center system, a majority of states reported at least some relationship between the one-stop centers and TANF at either the state or local level.

A. Approximately how much do Federal and State taxpayers spend on these programs? How does that compare with spending prior to welfare reform?

The Congressional Research Service (CRS) reported that, in fiscal year 1998, Federal and state governments spent almost $392 billion on approximately 80 income-tested programs that provide a range of services and programs to low-income individuals.[2] These programs' expenditures are broader than what is actually spent on helping low-income families move from welfare to work; for example, a substantial portion of spending on Medicaid is for the elderly and disabled, as opposed to cash welfare recipients trying to become self-sufficient. CRS found that in FY1998, medical services represented 50 percent of total income-tested spending; cash benefits, 24 percent; food and housing benefits, 17 percent. Services, energy aid, education, and jobs/training accounted for the remainder. Table I provides an overview of spending on the larger income-tested programs.

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[1] See *Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort (GAO/HEHS-00-48), April 27, 2000.*

TABLE I. PROGRAMS WITH BILLION-DOLLAR TOTAL EXPENDITURES, FY1998

[$ in billions]

Program	Federal	State/local	Total
1. Medicaid	$100.177	$77.187	$177.364
2. SSI	29.656	3.945	33.601
3. Earned Income Tax Credit (refund)	25.3	0	25.3
4. Food stamps	20.397	1.987	22.384
5. TANF [1]	11.286	10.227	21.513
6. Section 8 low-income housing assistance	16.114	0	16.114
7. Medical care for veterans (no service-connected disability)	9.603	0	9.603
8. Federal Pell grants	6.274	0	6.274
9. Foster care	3.73	3.303	7.033
10. Title XX social services	2.299	[2] 3.586	5.885
11. Head Start	4.347	1.087	5.434
12. School lunch (free/reduced price)	5.196	....	5.196
13. General assistance (medical component)	0	[2] 4.956	4.956
14. Child care and development block grant	3.123	1.567	4.69
15. HOME (Home investment partnerships)	1.461	2.601	4.062
16. Low-rent public housing	3.899	....	3.899
17. WIC	3.896	0	3.896
18. Rural housing loans (Section 502)	3.830	0	3.83
19. Subsidized Federal Stafford and Stafford/Ford loans	3.77	0	3.77
20. Veterans' pensions	3.071	0	3.071
21. General assistance (cash and nonmedical)	0	[2] 2.625	2.625
22. Indian health services	2.099	0	2.099
23. Child and adult care food program	1.404	....	1.404
24. Adoption assistance	0.695	0.59	1.285
25. School breakfast (free/reduced-price)	1.266	....	1.266
26. Job Corps	1.246	0	1.246
27. LIHEAP (home energy assistance)	1.132	0	1.132
28. Maternal and child health services block grant	0.678	.424	1.102
Program total	265.949	114.085	380.034

[1] The TANF block grant replaced AFDC, effective July 1, 1997 at latest (P.L. 104-193).

[2] Estimate.

Source: Vee Burke. Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY1996-FY1998. Congressional Research Service: Washington D.C., December 15, 1999.

Total spending on income-tested benefits has remained fairly constant from 1995 to 1998; Medicaid and education benefits increased slightly, while there were more significant decreases in jobs and training programs, energy aid, and food stamps (See Table II). State declines in spending on cash aid were approximately 18 percent, but total spending on cash aid decreased only slightly (3 percent). As a part of cash aid, the Earned Income Credit (EIC) increased 23 percent.[3]

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[2] See Vee Burke. *Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY1996–FY1998.* Congressional Research Service: Washington D.C., December 15, 1999.

[3] The difference in EIC spending is based on a comparison 1996 and 1998 spending levels.

TABLE II. FEDERAL AND STATE/LOCAL SPENDING FOR INCOME-TESTED BENEFITS BY FORM OF BENEFIT: COMPARISON 1995 TO 1998 SPENDING

[Millions of constant FY1998 dollars]

Fiscal year program	Federal	1995 state/local	Total	Federal	1998 state/local	Total
Medical Benefits	108489	78327	186816	113779	82610	196389
Cash Aid	72662	25327	97989	73872	20690	94562
Food Benefits	39365	1958	41323	33451	2060	35511
Housing Benefits	26689	2487	29176	26897	2614	29511
Education Benefits	16193	1022	17215	16989	1137	18126
Jobs/Training	4949	868	5817	3785	71	3856
Services	6431	5688	12119	7300	5153	12453
Energy Aid	1713	87	1800	1257	64	1321
Total	276491	115764	392255	277330	114399	391729

Source: Vee Burke. Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY1996–FY1998. Congressional Research Service: Washington D.C., December 15, 1999.

B. I know there is some concern about families receiving all the benefits for which they might be eligible, like food stamps, to help them work. What are States doing on that front? What more should be done?

Our work on food stamps and Medicaid enrollment since welfare reform sheds light on these issues. In Food Stamp Program: Various Factors Have Led to Declining Participation (GAO/RCED–99–185, Jul. 1999), we reported that the number of people who received food stamp benefits has declined each year from fiscal year 1994 to 1998, dropping about 28 percent. Food stamp participation declined in each state, ranging from about a 32-percent decline in Wisconsin to 6 percent in Hawaii. We also found that the primary reasons for the declines in food stamp participation include: the U.S. economy; tighter food stamp eligibility requirements; and welfare reform initiatives. More specifically, we reported that some households have had problems obtaining food stamps because some state and local governments, as part of their welfare reforms, have limited benefits beyond what the law permits. For example, Michigan denied food stamp benefits to whole households rather than to individual members of households when these members had violated welfare requirements—a procedure that a Federal court ruled was illegal. In addition, the United States Department of Agriculture (USDA) found that many former welfare recipients do not receive food stamp benefits because several state and local governments have not publicized differences in the eligibility requirements for welfare and food stamps. We recommended that the USDA's Food Stamp Program work with states to address these issues; the USDA agreed to publicize eligibility requirements for the Food Stamp Program and to target issues associated with participants' access to food stamp benefits.

In November 2000, USDA promulgated regulations that give states an option to reduce periodic reporting requirements for food stamp recipients with earnings. In our recent report Food Stamp Program: States Seek to Reduce Payment Errors and Program Complexity (GAO/01–272, Jan. 2001), we noted that while frequent reporting of income and other information allows caseworkers to make appropriate adjustments to benefit amounts, it can inhibit program participation because it creates additional reporting burdens for food stamp recipients.

We reported on Medicaid enrollment and welfare reform in our 1999 report entitled Medicaid Enforcement: Amid Declines, State Efforts to Ensure Coverage After Welfare Reform Vary (GAO/HEHS–99–163, Sept. 1999). Between 1995 and 1997, Medicaid enrollment declined nationwide among the nonelderly and nondisabled adults and children by about 1.7 million. This decline has been attributed to strong state economies, low unemployment rates, and new state welfare-to-work initiatives. We also reported that while most states experienced declines in Medicaid enrollment, enrollment increased in some states, in part as a result of individual state program expansions. For example, shifts in individual states' Medicaid enrollment for these adults and children during this period ranged from a 19-percent decline in Wisconsin to a 26-percent increase in Delaware. Moreover, these declines are generally less than for welfare enrollments. The smaller declines in Medicaid enrollment may be due to Federal eligibility protections built into welfare reform and ongoing expansions of Medicaid coverage for low-income children that predate welfare reform. One eligibility protection that predates welfare reform—transitional Medicaid assistance—provides an additional year of Medicaid coverage for individuals who lose Medicaid eligibility as a result of employment or increased income. We reported that in at least one state, only 1 in 25 eligible individuals participated in the transitional program. Moreover, some states did not even track the program's participation rates. In our research on automated systems for welfare, local officials told us that automated systems sometimes close Medicaid cases that should not be closed or fail to correctly process cases for transitional Medicaid.[4] As a result, we recommended that the Health Care Financing Administration (HCFA) provide states with guidance or other appropriate technical assistance regarding best approaches for implementing transitional Medicaid such that eligible beneficiaries could benefit from this entitlement. Concurring with our recommendation, HCFA has taken steps to work with each state to review and address states' eligibility and enrollment policies.

C. Have other benefits been conditioned on work like TANF? I know this falls outside our jurisdiction, but should those other programs be similarly conditioned on work?

Work requirements in the nation's key programs for families with children evolved over time, reflecting demographic and labor force changes. The Congress created the Aid to Dependent Children program in 1935, adding Federal support to state systems of pensions for widows with children. As administered in subsequent years (when it became known as Aid to Families With Dependent Children or AFDC), this program became a major support for single parents, typically mothers, who earned little income. Over time, as more women with children joined the labor force, welfare recipients were expected to look for work. The Congress first explicitly required mothers receiving AFDC benefits to register for work and training in 1971. However, this requirement exempted mothers with a child under age 6. When the Congress created a new welfare-to-work program in 1988, it narrowed the exemption to mothers with a child under age 3. Finally, when the Congress created TANF in 1996, it did not exempt any adults from work requirements although states may exempt a parent with a child under age 1. The 1996 welfare reform legislation generally conditioned the receipt of cash benefits on work or work-related activities, such as unsubsidized employed or subsidized employment, community service, on-the-job training, and work experience, and other work-related activities.

The Food Stamp and public housing programs are also conditioned on work. Food Stamp recipients who are also receiving TANF are not subject to Food Stamp work rules. To receive food stamps, non-TANF unemployed adults able to work who are not caring for a disabled dependent or a child under age 6 must fulfill state-established employment requirements, which can include working in exchange for the benefit (workfare), training, job search, education, or other activities. However, states may exempt any category of persons. While receipt of section 8 low-income housing does not have a work requirement, low-rent public housing programs require that residents must participate in an economic self-sufficiency program or contribute 8 hours monthly of community service unless they are engaged in education or a work-related activity or are at least 62 years old.

In addition, two other major supports for low-income families—child care subsidies provided through the Child Care and Development Block Grant (CCDBG) administered by HHS and the Earned Income Credit—are generally only available to people who are working or, in the case of the CCDBG, working or preparing for work through training or study. For more information on this topic, see Work Provisions in Programs for Low-Income Families with Children, Congressional Research Service Testimony Before the House Ways and Means Committee, April 3, 2001.

Several factors would need to be considered in assessing whether a program should have work requirements, including the program's purpose and target population, what is known about its effects on participants' work efforts, an understanding of the infrastructure and capacity needs associated with implementing and administering such a requirement, and the costs and benefits of doing so.

CYNTHIA M. FAGNONI
Director

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[4] See *Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort (GAO/HEHS-00-48), April 27, 2000.*

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This memorandum is in response to your follow-up questions to my March 15, 2001 testimony before the Subcommittee on Human Resources.

Question 1. In your testimony, you point out that little is known about what programs are effective in encouraging marriage. Are you aware of any programs that have actually tried to address this problem directly? Is it possible that research can't tell us much because too few programs have been expressly directed at the problem?

Response. The Family Support Act (FSA) of 1988 authorized a set of experiments that liberalized AFDC eligibility for two-parent (unemployed) families by permitting them to work 100 or more hours monthly without losing the status of being "unemployed." The "100-hour" rule was seen as a potential disincentive to marriage for low-wage fathers with full-time jobs. By limiting other policy changes, many hoped that the evaluations of the three approved state demonstrations—in California, Utah, and Wisconsin—would provide insight into the impact of changes to the 100-hour rule. Reports on these demonstrations have been completed, but have not been released.[5] Outside these demonstrations, the bulk of research completed since the FSA has focused on broader efforts to alter welfare, especially by increasing work, and the impact of these efforts on earnings and employment. Most states liberalized special two-parent eligibility requirements in these programs, but this change was part of a package of policy initiatives, which limits the ability to determine the effect of one specific policy change. The impact of welfare reform policy initiatives on marriage rates has received very little attention.[6]

Question 2. You mention that among those who left welfare because of work and then later returned to welfare, loss of employment is the most common reason for the return to welfare.

A. What are some of the most common reasons for the loss of employment?

B. How many leave work voluntarily versus involuntarily?

C. Is it hard for such individuals to get back on welfare?

Response. Among the state studies that examine former welfare recipients, information on reason for return to welfare is captured through state surveys of individuals who have returned to welfare. Some of the most common reasons given by these individuals for loss of employment, including both voluntary and involuntary loss of employment, are as follows:

- In New Mexico, 24% of leavers returned to welfare because they were laid off or fired. Other employment-related reasons for welfare returns were: 10% could not find a job, 6% quit their job, 6% experienced a decrease in hours worked or a decrease in their wages, and 4% had a spouse who was fired or laid-off.[7]
- Among leavers in Washington state, 25% returned to welfare because they were laid off or fired, 12% returned because they quit their job for health reasons, and 10% returned due to lost work hours.[8]
- A study of Illinois leavers found that 24% reported that they returned to welfare because they had no job or they couldn't find a sufficient job; 19% had lost their job, were terminated, or were laid off. The authors also report that 27% stated that they returned to welfare because they were "broke" and needed money, and it is likely that many of these individuals who returned to welfare had experienced employment difficulties.[9]
- Among leavers in Virginia who had reapplied for welfare, 19% said that they were fired or laid off from their job, 9% quit their job, 7% reported that there were

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[5] The Department of Health and Human Services (HHS) has indicated that these reports are available upon request.

[6] For additional information on welfare reform impact evaluations, see CRS Report RL30724, Welfare Reform Research: What Have We Learned Since the Family Support Act of 1988?, by Christine Devere, Gene Falk, and Vee Burke.

[7] Maximus. (2000). New Mexico TANF Longitudinal Study: Results of the First-Year Follow-up Surveys. McLean, VA: Author.

[8] Du, J., D. Fogarty, D. Hopps, and J. Hu, (2000). A Study of Washington State TANF Leavers and TANF Recipients: Findings from the April–June 1999 Telephone Survey Final Report. Olympia, WA: Department of Social and Health Services (hereafter cited as "Du et al., Washington Leaver Study").

[9] Julnes, G., A. Halter, S. Anderson, L. Frost-Kumpf, R. Schuldt, and F. Staskon, (2000). Illinois Study of Former TANF Clients: Final Report. Springfield, IL: Illinois Department of Human Services (hereafter cited as "Julnes et al., Illinois Study of Former TANF Clients").

no jobs available, 5% quit their job because it did not pay enough, and 4% had their hours or pay decreased.[10]

In terms of whether or not it is hard for leavers to return to welfare, this would vary by person and by state, depending on the individual's history on welfare and variations in state policies such as time limits and sanctions. However, the state leaver studies do not capture persons who are experiencing difficulties returning to welfare. They provide information only on reasons for welfare returns among those who have already returned to welfare.

Question 3. You mention (page 6) that "less than half of welfare leavers indicate they have filed for or received the Earned Income Tax Credit," an important benefit to help make work pay. Isn't it possible that when asked this question the individual might not yet have filed for the credit, which is normally done in tax season around April 15? Could there be other reasons for confusion on this? Are states taking any steps to ensure that leavers know about and file for earned income credits?

Response. Information on take-up rates for the Earned Income Tax Credit (EITC) are from surveys administered to welfare leavers. It is possible that individuals may not realize at the time of the survey that they are eligible to receive the EITC. The low participation rates may also be a function of how the question is asked, as individuals may simply not recognize what they have received as the EITC. Additionally, a number of leavers in these survey studies indicate that they had never heard of the EITC, ranging from 24% of leavers in Illinois to 47% of leavers in three counties in California.[11] In the three counties in California, where 47% of the leaver sample indicated that they had never heard of nor used the EITC, the study reported that 51% of the single-parent families and 65% of two-parent families in the study sample estimated to be eligible had never used the EITC.[12]

While the state leaver studies report that between 27% and 47% of former welfare recipients had never heard of the EITC, the Urban Institute reported that only 17% of former recipients have never heard of the EITC using data from the 1999 National Survey of America's Families (NSAF). Compared to the state leaver studies, the NSAF also illustrated higher receipt of the EITC among former recipients, reporting that 65% of former welfare recipients in the NSAF had received the EITC. The take-up rate is even higher when calculated among those leavers who had ever heard of the EITC (79%).[13]

The low take-up rates in the state leaver studies may also be a function of the study sample, as the majority of state leaver studies ask this question of all former welfare recipients, regardless of employment status. A study in Colorado reported that among a subsample of leavers who were employed at the time of the survey, 82% reported claiming the EITC on their last federal income tax return.[14] Among individuals who are aware of the credit, reasons for not participating vary. Among leavers in Arizona who were aware of the credit but not receiving it, 45% reported that they did not believe they were eligible for the credit, 29% said they did not apply, 2% said it was not worth the effort, and others indicated that they were not sure why they had not received the credit.[15]

Question 4. In your discussion of former welfare recipients—the leavers— you note that the majority of welfare leavers are employed and that, based on wages alone, welfare leavers in a number of states remain poor.

A. Isn't everyone on welfare "poor"? How many people who left welfare had higher disposable incomes than when they were on the rolls?

B. How many are using other federal programs such as job training and education, food stamps, housing assistance, Medicaid, the Earned Income Credit, and child care? Do these benefits get counted in determining who is poor?

C. How about state benefits, including state earned income credits and other assistance? Are these counted?

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[10] Kuhns, C., A. Gordon, R. Agodini, and R. Loeffler, (1999). The Virginia Closed Case Study: Experiences of Virginia Families One Year After Leaving Temporary Assistance for Needy Families. Richmond, VA: Department of Social Services (hereafter cited as "Kuhns et al., Virginia Leaver Study").

[11] Julnes et al. Illinois Study of Former TANF Clients.

[12] Moses, A., D. Mancuso, and C. Lieberman, (2000). Examining Circumstances of Individuals and Families Who Leave TANF: Assessing the Validity of Administrative Data. Belmont, CA: County of San Mateo Human Services Agency. The counties included in the study are San Mateo, Santa Clara and Santa Cruz.

[13] For more information, see Phillips, Katherin Ross. (2001). Who knows about the Earned Income Tax Credit? Washington, DC: Urban Institute.

[14] London, R., and V. Valvano, (1999). Evaluation of the Colorado Works Program: First Annual Report. Oakland, CA: Berkeley Planning Associates.

[15] Westra, K. and J. Routley, (2000). Arizona Cash Assistance Exit Study: First Quarter 1998 Cohort Final Report. Phoeniz, AZ: Department of Economic Security.

Response. Financial eligibility rules for welfare recipients vary among the states. Under TANF, states decide how much to aid a needy family, although there are no Federal guidelines for determining whether a family is financially needy and no requirement that states aid all financially needy families. The states have differing resource limits and income eligibility limits. Further, the states treat earnings among recipients differently through disregards that allow individuals to work and receive welfare at higher earnings. Attachment 1 shows the maximum monthly combined TANF and food stamp benefit for a single parent with two children. The figure shows that in all states combined monthly maximum TANF and food stamp benefits are below the 1999 federal poverty income threshold for such a family of $1,119 per month.[16]

The official definition of poverty counts most sources of money income received by families during the prior year (e.g., earnings, Social Security, pensions, cash public assistance, interest and dividends, alimony and child support, among others). For purposes of officially counting the poor, noncash benefits (such as the value of Medicare and Medicaid, public housing, or employer provided health care) and "near cash" benefits (e.g., food stamps) are not counted as income, nor are tax payments subtracted from income, nor are tax credits added (e.g., Earned Income Tax Credit (EITC)).[17] The state leaver studies illustrate that welfare leavers in a number of states remain poor. However, the number who fall below the poverty level will vary among the studies based on what types of money income the state includes when determining the individual's total income. A study of leavers in New York City reported that 63% of leavers were below poverty based on earned income.[18] Among studies that used the official definition of poverty (as described above), 63% of single mothers with children under the age of 18 in Missouri and 53% of families in Washington state were below poverty.[19] A study of Utah leavers also included food stamps in total income and reported that 52% of families were below poverty.[20]

There is some information available to compare income among recipients while they were receiving TANF as well as after their exit. Among leavers in Virginia, 87% had total household income (excluding the EITC) below the poverty level while receiving TANF, but 12 months after exit 72% reported total household income below poverty. This percentage also varied by employment status, with leavers unemployed at the time of the survey more likely to report total household income below the poverty level (87% of unemployed leavers vs. 60% of employed leavers).[21]

Although leavers in Virginia reported higher levels of income after exit, a study of Wisconsin leavers reported lower levels of income. The Wisconsin study used a definition of income that included respondent wages (as collected in the unemployment insurance data), estimated Federal income taxes, estimated payroll taxes, estimated EITC, cash assistance, and food stamps. Therefore, while this definition of income includes an estimated EITC, it does not include income from a partner, child support, or other unearned income (e.g., Supplemental Security Income). Among a group of leavers who left welfare in 1995, 72% reported lower or similar levels of income 12 months after their exit. However, 81% reported earnings that were higher or similar 12 months after exit. The study concludes that while earnings increase substantially after exit among leavers, the accompanying increase in the EITC is offset by other increased taxes, and welfare and food stamps are much lower. Therefore, the total income among these leavers is lower.[22]

As these results show, the percent of leavers who are below poverty varies among the studies, in some part due to what each state includes in its definition of income. A number of states have attempted to gather a comprehensive measure of total income by including the value of other assistance programs such as housing, Medicaid, and food stamps, not all of which are included in the official definition of poverty.

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[16] If the food stamp excess shelter deduction were used in the calculations, benefits in two states, Alaska and Hawaii (exempt), would surpass the Federal poverty threshold.

[17] For more information, see CRS Report 95-1041, Poverty in the United States: 1999, by Thomas Gabe.

[18] Bush, A., S. Desai, and L. Mead, (1998). Leaving Welfare: Findings from a Survey of Former New York City Welfare Recipients. New York, NY: Human Resources Administration Office of Policy and Program Analysis.

[19] Midwest Research Institute. (2000). Missouri Leaver Study: Chapter 2—Household Income and Poverty. Kansas City, MO: Author. Also see Du et al, Washington Leaver Study.

[20] Taylor, M., and A. Barusch, (2000). Multiple Impacts of Welfare Reform in Utah: Experiences of Former Long-Term Welfare Recipients. Salt Lake City, UT: Department of Workforce Services.

[21] Kuhns et al., Virginia Leaver Study.

[22] Cancian, M., R. Haveman, D. Meyer, and B. Wolfe, (2000). Before and After TANF: The Economic Well-Being of Women Leaving Welfare. Madison, WI: University of Wisconsin-Madison Institute for Research on Poverty.

In addition, as some states include "other" categories, it is possible that these reported incomes include other programs (e.g., fuel assistance). Although the leaver studies vary in what they include when measuring income, they illustrate that a number of leavers continue to receive other assistance after exit.[23] Examples include:

- Medicaid: Among studies that ask if anyone in the household was receiving Medicaid since exit or at the time of the survey (adults or children), the responses range from 58% in New Mexico to 87% in Wisconsin. However, the studies that examine participation rates among adults and children separately report that adults are more likely to be uninsured after exit from welfare.
- Food Stamps: The majority of studies report food stamp participation rates between 46% and 78% after exit.
- Child Care: Use of government subsidies varies considerably among leavers, ranging from 3% in the New Orleans metropolitan area to 55% in Missouri. When examining the percent who receive child care subsidies among those who are eligible for subsidies, the percentages increase but still vary considerably from 20% in Illinois to 67% in North Carolina.
- Child Support: Among the studies that report the percent who collected child support, the range varied from 8% of leavers in metropolitan New Orleans to 41% of leavers in Idaho. In general, the studies show that less than half of those who have court-ordered child support arrangements actually receive a payment.
- Housing Assistance: The majority of studies report that between 14% and 34% of leavers received housing assistance such as Section 8 housing or public housing. Massachusetts reported the highest rates of housing assistance among welfare leavers; 56% of those who left for a time limit, and 50% of those who left for reasons other than a time limit.

Other types of assistance reported by welfare leavers include fuel assistance, Supplemental Security Income, Unemployment Insurance, transportation assistance, and participation in the School Lunch program. However, the extent to which these benefits are included in income as calculated by the leaver studies is unclear. While some states explicitly indicated food stamps, child care, and Medicaid as included in the "total income", it is possible that these other forms of assistance are being captured in "other" categories (for which additional detail is not available). There is no information available as to whether states are including the receipt of state benefits, such as state EITCs, in calculating income as individuals may also be reporting this income when asked to report "other" sources of support.

Question 5. The research shows that most recipients have higher incomes after welfare reform. However, there is significant concern about those at the very bottom of the income ladder whose reported incomes dropped slightly (about 4%) since 1995. What have we seen that tells us about this group's spending habits, as opposed to income? Hasn't consumption risen for them like everyone else? What does that tell us?

Response. Information on consumer expenditures comes from the U.S. Bureau of Labor Statistics Consumer Expenditure Survey (CEX).[24] The CEX has a relatively small sample size of 5,000 households, compared to the Current Population Survey (CPS) which has a sample of 47,000 households. The CEX data show that consumer expenditures grew 18% over the period from 1994 to 1997 among single mother families. Some of this overall increase is attributable to work expenses. Information from the CEX also shows that, even among the poorest single-mother families, consumption expenditures have increased over the period from 1994 to 1997. Among the poorest single mothers, the CEX data also show that consumption expenditures typically exceeded reported incomes. Possible explanations are that some who have low incomes are temporarily poor or perhaps some low-income mothers might access credit markets to pay for spending that exceeds income. It is also possible that income, related to spending, is underreported on these surveys, as many agree that it is difficult to capture all sources of support available to a household when collecting this information.

CHRISTINE DEVERE
Analyst in Social Legislation

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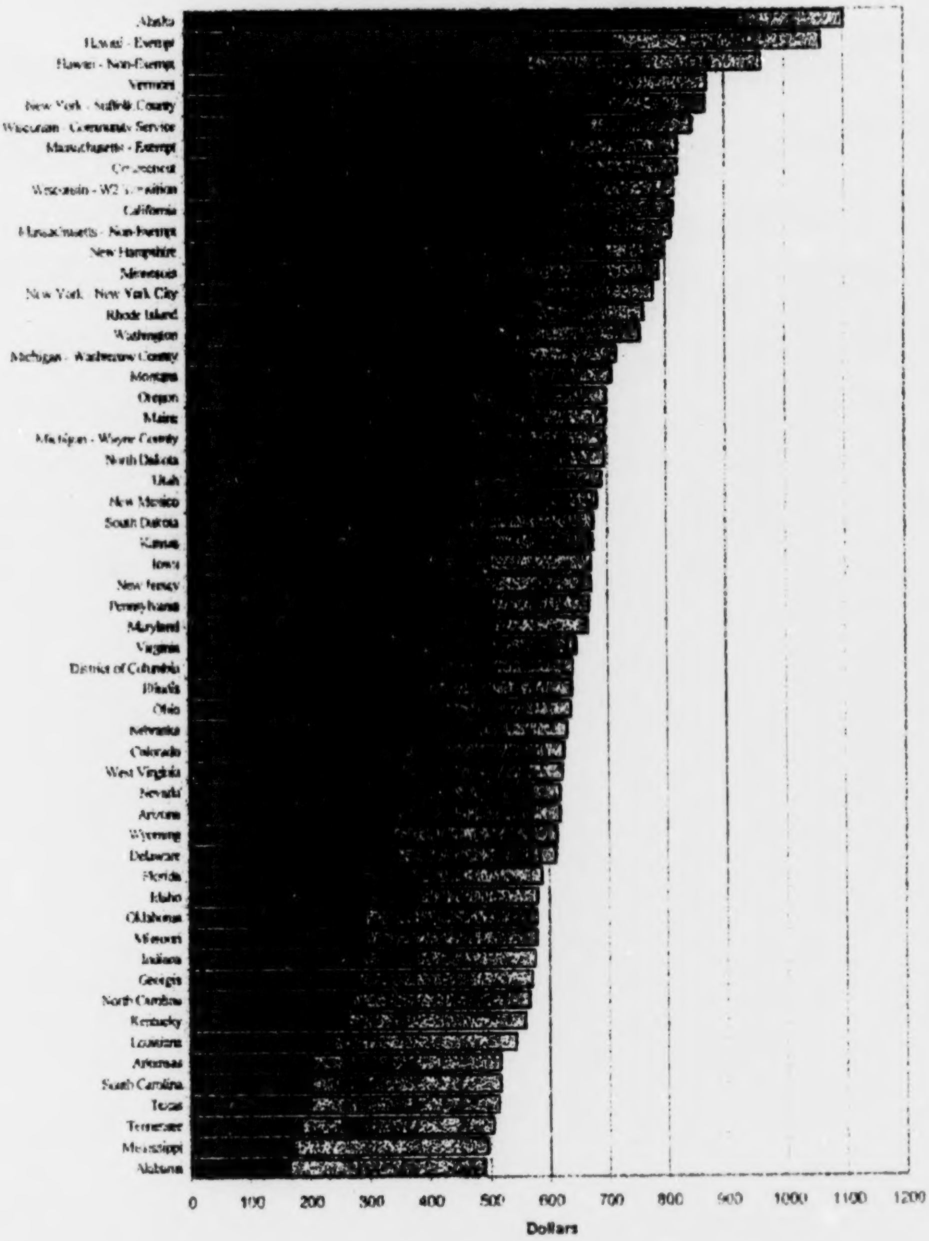
[23] Additional information on leaver studies cited in these examples can be found in CRS Report RL30882, Welfare Reform Research: What Do We Know about Those Who Leave Welfare?, by Christine Devere.

[24] This response draws from a longer discussion of the CEX included in the 2000 House Committee on Ways and Means Greenbook. See "Appendix L. Monitoring the Effects of Pre- and Post-TANF Welfare Reform Initiatives," p. 1427–1430.

Attachment 1. Maximum Monthly Combined TANF and Food Stamp Benefits for a Family of Three on July 1, 2000[a]



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Source: Figure prepared by the Congressional Research Service (CRS) based on a survey of the states. For more information, see CRS Report RL30579, Welfare Reform: Financial Eligibility Rules and Cash Assistance Amounts under TANF, by Craig W. Abbey.

[a] Food stamp calculations assume that the family does not receive an excess shelter cost deduction. In very low TANF benefit states, combined benefits shown reflect the maximum Food Stamp allotment for the family size, but in some states the excess shelter deduction would increase benefits by up to $83 monthly—more in Alaska and Hawaii.

Chairman HERGER. We will now move to our second group of panelists, Mr. Mark Greenberg, Senior Staff Attorney, Center for Law and Social Policy, and Mr. Robert Rector, Senior Policy Analyst, Heritage Foundation.

Mr. Greenberg.

STATEMENT OF MARK GREENBERG, SENIOR STAFF ATTORNEY, CENTER FOR LAW AND SOCIAL POLICY

Mr. GREENBERG. Mr. Chairman, Members of the Subcommittee, thank you very much for holding this hearing. We think these issues are extraordinarily important, and that it's enormously valuable to begin the conversations by focusing on what research findings can tell us about what the experience has been since the 1996 law was enacted.

I find myself in substantial agreement with much of what you have heard from the Congressional Research Service and the General Accounting Office, in part because we are looking at many of the very same studies in trying to develop a picture of what has happened.

There are some important things we can see from those studies. At the same time, there are some significant gaps where information isn't available that would help us get a better picture of what has happened.

Broadly, we know that there has been an enormous caseload decline, historically unprecedented, and it began in 1994, although it accelerated after the law was enacted in 1996.

We also know that child poverty has gone down in a very dramatic way, as other witnesses have already noted. At the same time, we know that the welfare caseload has fallen more rapidly than child poverty has fallen, and that raises some questions.

In trying to get an understanding, I think we are confident from the leaver studies that most of the families who have left welfare did enter employment. It's hard to get a precise picture because every State does its study a little bit differently, and it makes it difficult to do comparisons between States. But there is a pretty consistent picture that tells us roughly that about 60 percent of those who have left are working at any point, that a higher share have worked at some point. If you look at those working consistently, four quarters in a row, it's probably in the range of about 40 percent or so. We see that as a very consistent picture.

The problem of low earnings is a constant feature running throughout the studies. Typically, the best information comes from unemployment wage records, and from in the studies funded by the Federal Government, that try to do things in about the same way, we see initial earnings of about $2,500 in the first quarter after leaving, growing over the course of the year to about $2,800. So there is some evidence of growth in earnings. We really can't tell if that's growth in wages or whether it's just that individuals are working more weeks over a quarter. At the same time, the overall picture is that family earnings remain low. The Wisconsin data that I cited in my testimony, is probably the best place to see three-year numbers from a State. In that data, we do see evidence of earnings increasing over 3 years, but poverty remains very high and doesn't change much over that period of time.

Broadly, what seems to be happening is that many of the families are essentially replacing public benefits income with employment income. They are less likely, of course, to be receiving TANF assistance, and they are less likely to be receiving food stamps. So in terms of overall family income, there is a big replacement effect. At the same time, very frequently families are incurring additional expenses as they go into the workforce, such as child care. However, in our examination of the studies of families that have left welfare, typically only about 25 to 30 percent of those who were working were getting child care assistance.

Nevertheless, it's clear that there actually have been significant improvements in providing child care assistance to low-income working families since 1996. Partly it's because of the increases in the child care block grant, but most strikingly, it's been because of the States' ability to use TANF funds. As their cash assistance caseloads have fallen, the single, clearest redirection of funds has been to child care.

In the year 2000, about $3.5 billion from TANF was redirected to child care. All but two States redirected TANF to child care. The amount of TANF funds going into child care in the year 2000 seems to have been about as large as the entire child care block grant. So there is a very strong expression by the States of the importance of child care focus.

In addition to understanding the situation of working leavers, it is important to understand the situation of those who have left and are not working. There is clear indication that some of the parents are living with a spouse or partner. However, my reading of the leaver studies is that it appears the majority are not. New research from the Urban Institute suggests there is a group who are not living with a spouse or partner, are not working, haven't worked, aren't receiving disability benefits, and many of those families demonstrate the very same, very serious barriers to employment that we see among many of the families still receiving assistance. So there are important questions about why this group of families seems to have fallen out of the public system, despite the fact that they are not working and despite having very serious barriers to employment.

The last point that I would emphasize is that among State and local administrators, much discussion now focuses on the issue of multiple barriers among the families that are still receiving assistance. Administrative data doesn't capture this in a good way and, frankly, there haven't been nearly as many studies of families still in the system as of the families that have left.

I would urge, as the Committee proceeds, that you talk with the State agencies about this issue. When I do so, I hear routinely that the families that are left face a whole set of barriers that States are now trying to determine how to best address: Barriers concerning health, mental health, domestic violence, substance abuse, extreme literacy issues. For many States, these are issues that historically they didn't have a lot of experience working with. However, they now frame some of the key challenges ahead for States.

Thank you very much.

[The prepared statement of Mr. Greenberg follows:]

Statement of Mark Greenberg, Senior Staff Attorney, Center for Law and Social Policy

Mr. Chairman and Members of the Subcommittee: Thank you for inviting me to testify. I am a Senior Staff Attorney at the Center for Law and Social Policy (CLASP). CLASP is a nonprofit organization engaged in research, analysis, technical assistance and advocacy on a range of issues affecting low income families. Since 1996, we have closely followed research and data relating to implementation of Personal Responsibility and Work Opportunity Reconciliation Act. In addition, we often talk and visit with state officials, administrators, program providers, and individuals directly affected by the implementation of welfare reform efforts.

Today's hearing focuses on the experience since 1996 in addressing the four goals of the Temporary Assistance for Needy Families block grant structure. These goals are to: (1) provide assistance to needy families so that the children may be cared for in their homes or in the homes of relatives; (2) end the dependency of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.

I want to begin with two general observations. Since 1996, there has been a large research effort funded both by governments and private organizations, and much is known as a result of this effort. This research makes it possible to discuss what has happened, i.e., changes in caseloads, employment, income, family structure, but it is more difficult to state what role the 1996 law or particular components of the law played in affecting these changes. Second, the fact that the law is scheduled for reauthorization next year makes this a logical time to consider the experience; at the same time, this is still a relatively early point in a major national policy shift, and to date, we've only seen the experience in the context of a strong national economy, and before families have reached the five-year time limit restricting federally funded assistance. So, while it is important to look at the story so far, it is also important to recognize that more time will be needed to know how the new structure will function over time.

Since the law was enacted, both the TANF assistance caseload and the nation's child poverty rate have fallen significantly. However, participation in TANF assistance has fallen much more rapidly than child poverty has declined.

Since 1994, there has been a historically unprecedented decline in the number of families receiving assistance. In early 1994, five million families were receiving AFDC. The number fell to 4.4 million by the time the 1996 law was enacted, and then dropped to 2.2 million by June 2000. Since enactment of the law, the caseload has fallen by at least 50% in twenty-nine states and by at least 20% in all states.

Caseload decline is sometimes cited as evidence of success in itself, but a state's caseload can fall either because families no longer need assistance or because families who need assistance are not receiving it. Part of the caseload decline is clearly due to reduced need—during this period, child poverty fell, from 21.8% in 1994 to 16.9% in 1999. However, participation in welfare fell much more rapidly than child poverty. In 1994, 62% of poor children were receiving AFDC assistance; by 1998, only 43% of poor children were receiving TANF assistance.

Why did the share of poor children receiving assistance fall? There are three main possibilities: a) parents got jobs and stopped receiving TANF, even though family income was still below poverty; b) families left assistance without finding work; and c) families who were poor and potentially in need of assistance chose not to apply or applied and were unable to get assistance. As discussed below, there is evidence that most families leaving welfare are working, but that many of these families remain poor; there is also evidence that a significant group of families have left welfare but are not working. It is less clear whether there has been a drop in applications or application approval rates. Under TANF, states are required to report to HHS on the total number of applications, denials, and approvals, but not the reasons for denials. In any case, none of this information about application processing under TANF has been published.

Since 1996, there has been a significant increase in employment among female-headed families. There's broad agreement that TANF has played an important role, but is not the only factor, in these increases in employment. A set of data sources all point to a significant increase in employment among TANF recipients, and more generally among female-headed families. The principal information about why families have left welfare has come from studies looking at the circumstances of families who have left assistance. These studies consistently find that about 60% of leavers are working, and that employment is the most common reason given for why families left assistance. Typically, an even larger share report having worked at some point since leaving assistance. The share of adults working while receiving TANF assistance also increased—from 8% in 1994 to 28% in 1999. Part of the explanation for this increase in employment among recipients is that under TANF, most states have liberalized the rules for reducing assistance when a family has earnings; as a result, a family is more likely to retain eligibility when a parent enters a low-wage job.

Census Bureau data also point to a large increase in employment among female-headed families in recent years. In 1994, married mothers were more likely to be employed than were single mothers. (64.7% vs. 57.1%). By 1999, the employment rate of single mothers (68.4%) was greater than the rate for married mothers (67.1%). The differences are more dramatic among low income families. For families with incomes below 200% of poverty, between 1994 and 1999, employment rates stayed essentially flat for married mothers but grew by thirteen percentage points for single mothers. As a result, in 1999, 59% of single mothers in families with incomes below 200% of poverty were working, versus 43.4% of married mothers.

It is probably impossible to isolate the independent role of TANF in this increase in employment. The process started before 1996—the nation's caseload decline began in 1994, and the growth in employment of low income single mothers with young children began between 1992–93. And, during the 1990s, a set of factors supported or contributed to employment growth for single mothers: the strong national economy, the large expansion of the Earned Income Tax Credit, increased availability of child care subsidies, expansion of health coverage for children, the minimum wage increase, improved child support enforcement. There seems to be a consensus among researchers that welfare reform efforts did play an important role, with the effects more pronounced in latter years. At the same time, a set of factors occurring at the same time all pushed in the same direction, and we don't know how the same policies would have worked in a different economy, or how one component would have worked without the others.

When we talk about the effect of "TANF" or "welfare reform," it is important to appreciate that there are a number of components in what states have done under TANF. In formal rules, states generally expanded requirements to participate in work-related activities; increased the penalties for failure to comply with such requirements; restricted access to education and training; provided increased income support for families with earnings; liberalized program asset requirements; broadened eligibility for two-parent families; imposed time limits on assistance; and expanded the availability of "transition" benefits for families leaving assistance. In addition state agencies often emphasize that there has been a fundamental change in the basic orientation of their systems, as the principal focus has shifted from providing income support to an emphasis on requiring and supporting employment.

TANF implementation also meant an infusion of additional funds for states. Since funding levels were generally set to reflect welfare caseloads from the early-mid 1990s, and caseloads began falling in 1994, the effect of TANF from the beginning was to provide increased federal funding to states. The General Accounting Office estimated that if all states had participated in TANF throughout 1997 and had met applicable maintenance of efforts, states would have had an additional $4.7 billion above the funding level that they would have had under prior law. And, since block grant funding remained constant as caseloads declined, the funds potentially available for services steadily increased over time. This additional funding made it possible for states to expand employment-related services, child care, and support services.

In summary, TANF has contributed in important ways to the increase in employment among female-headed families. However, it is not possible to precisely state its independent impact; we do not know how the same policies would operate in different economic circumstances; and we need to recognize that TANF implementation has been far more than work requirements and time limits—it has also involved additional resources and an array of new and expanded supports to help families enter and maintain employment.

Much of the employment for families receiving or leaving TANF assistance, at least initially, is in low-wage jobs. There is evidence of some earnings growth over time, but so far, earnings remain low for most of the affected families.

Families still receiving assistance tend to have low earnings—according to administrative data, earnings for working adults receiving assistance averaged $597.97 per month in FY 99. Leavers studies also report generally low wages and earnings for those who have left welfare and entered employment. According to the Urban Institute's Nation Survey of America's Families, the median wages for leavers in 1997 were $6.61 an hour; individual state studies typically report wages at or in that range. In a set of leavers studies funded by HHS, the median quarterly earnings for the first full quarter after leaving were $2526, i.e., $842 a month. So, unless these families have additional sources of income, they are often likely to still be in poverty. In fact, studies in Missouri and Washington reported poverty rates of 58% for TANF leavers.

The fact that many families are entering low wage employment was not unexpected, because a strong focus in TANF implementation was to encourage parents to enter employment as rapidly as possible, even at low wages, with the hope that earnings would grow over time. To find out if this is occurring, one would want to follow the experiences of families over time. Unfortunately, state reporting to the federal government provides only limited longitudinal data. To compete for the federal "high performance bonus," states report earnings data for families during a quarter and the second subsequent quarter for people employed in both quarters. From this data, we can see that in 1999, national average earnings grew from $2114 in a quarter to $2578 in the second subsequent quarter. However, since the first quarter includes both individuals continuously employed and those entering employment during the quarter, we cannot tell the extent of earnings growth from this data, and we cannot get a longer-term picture from this data.

A limited number of states have reported longitudinal data for families leaving welfare and entering employment. From that data, it looks like earnings do increase after leaving assistance, but remain low. For example, in nine federally-funded leavers studies, median earnings grew from $2526 in the first to $2821 in the fourth quarter of employment. Probably the best longitudinal data comes from the Institute for Research on Poverty's tracking of families that left welfare in Wisconsin in 1995. In the IRP study, median earnings (in 1998 dollars) were $8608 in the first year after leaving, $9627 in the second year, and $10,924 in the third year.

Some states have responded to evidence of low earnings for families leaving assistance by creating new initiatives to help working families who have left assistance advance to higher earning jobs. Most of these initiatives are still in the earliest stages, and there isn't yet clear evidence of their effectiveness. There are also indications that in the last several years, a number of states have softened some of their prior restrictions on access to education and training programs, though participation in such activities by TANF recipients remains low.

The fact that many exiting families have low earnings has focused attention on the importance of access to Food Stamps, Medicaid, child care assistance and child support services for families leaving assistance. Studies consistently report sharp declines in participation in Food Stamps and Medicaid after families leave assistance. Probably not more than one-third of working leavers receive child care assistance. Child support enforcement has improved, though most leavers still do not receive child support.

Because many leavers have low incomes, continued access to Food Stamps and Medicaid are important for families leaving TANF. However, a consistent finding has been a sharp drop in receipt of these benefits after exiting TANF. In a set of state and county leavers studies funded by HHS, the share of single parents receiving food stamps in the quarter after leaving TANF ranged from 33% to 57% (and was 9% in one county). The share of adults receiving Medicaid in the quarter after leaving was between 41% and 57% in seven of nine sites. There are indications that these drops in participation are partly due to eligibility rules, partly due to lack of awareness of continued eligibility, partly due to administrative practices that sometimes resulted in closing Food Stamp and Medicaid cases at the same time TANF cases were closed.

There are also indications that families who could benefit from child care assistance after leaving welfare do not consistently receive such assistance. In state leavers studies with data on this issue, only about one third or less of working leavers were receiving child care subsidies. However, the Urban Institute has calculated that 50% of working low-income single parents (income below 200% of poverty) with children under age 13 have child care costs, averaging $230/month, and representing 19% of family income.

Federal administrative data indicate that some child support is collected for 40% of welfare leavers. This probably reflects significant improvement in recent years, though a substantial share of leavers are still not receiving regular child support payments. (Moreover, about half of support arrears collected on behalf of leavers are not paid to the family, but instead are retained by government to recover prior assistance costs.)

Families still receiving assistance are a heterogenous group, but generally have more serious barriers to employment than those who have left assistance.

Most families now receiving assistance are either working or do not include an adult receiving assistance. In FY 99, 28% of adults receiving assistance were working, and 29% of families receiving assistance were "child-only" cases, i.e., cases in which no adult received assistance because the child is living with a grandparent or other non-parent relative; the parent is disabled and receiving Supplemental Security Income, the parent is an ineligible alien or under sanction.

State and local agencies often note that many of the families still receiving assistance are likely to have serious employment barriers. It is difficult to provide a precise picture, because the types of problems often identified—health and mental health, domestic violence, substance abuse, limited or no English proficiency, severe basic skills deficits—are not the types of information routinely collected or reported in program administrative data. The Urban Institute reports that among adults receiving assistance in 1999, 44% had less than a high school education, 38% either had poor health, a health condition preventing work, or very poor mental health; and 27% last worked three or more years ago. Most (56%) of those with no identified barrier to work were working; in contrast, only 20% of those with two or more barriers to work were working.

People sometimes ask if the incidence of these problems is more severe now than was the case in the past. It is difficult to know, because most states have not had consistent measures of these potential obstacles over time. The Urban Institute found that the incidence of barriers in 1999 did not look substantially different from 1997. It is clear, though, that families still receiving assistance are much more likely to have multiple barriers to employment than families who have left. State leavers studies also consistently report that those still receiving assistance are likely to have less education and less work history than those who have left. And, for many states, the key question isn't really whether the prevalence of these problems has increased, because five years ago, families with multiple barriers were typically exempt from program requirements. Now, these families are subject to work and time limit requirements, and states need to develop appropriate service strategies to work with them, so the issues of how to structure services for such families have become an increasingly significant challenge in TANF implementation.

A group of families with serious barriers to employment is no longer receiving assistance.

About 40% of families who have left assistance are not working. Generally, there is less information about these families, and it would be helpful to have a clearer picture of why they left and how they are managing. On one hand, families have always left assistance for reasons besides work—for example, the family might move, or children might turn eighteen. And, nonworking leavers are sometimes living with spouses, partners, or other adults. However, there are indications that, as compared to working leavers, the nonworking leavers are likely to have more serious employment barriers—e.g., less education and work history, greater likelihood of illness or disability. They are also likely to be poorer than working leavers.

In a recent analysis, the Urban Institute focused on one group of nonworking leavers: those adults who had not worked since leaving, were not receiving disability benefits, and were not residing with a working spouse or partner. This group of "at risk" leavers was estimated to be 17% of all leavers, and they showed a *greater* likelihood of having multiple barriers to employment than current TANF recipients 50% of this group was in very poor health; 47% had not worked in at least three years; 38% had less than a high school education; 19% were caring for a disabled child.

Why are families with such severe barriers leaving assistance despite not working? There is a clear need for additional research, but one part of the explanation is likely the increased use of "sanctions," i.e., grant reductions and terminations and other case closures for noncompliance under TANF. States vary in their extent of sanctioning; in some leavers studies, only a small share of case closures are attributable to sanctions and in other studies, 25% or more of case closures are for such reasons. Studies of sanctioned families consistently report that such families are likely to have less education and work history than other leavers, and that they are less likely to be working and more likely to have lower earnings when they do work.

The concern, then, is that at the same time that many states articulate a goal of working with those families with the most severe employment barriers, state practices are sometimes having the effect of terminating assistance to those families. Some states have responded to these concerns by developing "second look" procedures before imposing sanctions or additional efforts to engage in outreach to sanctioned families. However, at this point, the TANF law does not actively encourage such efforts, and the federal government does not collect information on state practices to avoid terminations of assistance to families with multiple employment barriers.

The large gains in employment have resulted in increased income for many female-headed families; at the same time, the average incomes of the bottom 20% have declined since 1994, because losses in public benefits have been as large or greater than gains in earnings.

Researchers have examined Census data during the 1990s and examined the circumstances of female-headed families. Typically, this work has looked at post-tax, post-transfer income, taking into consideration both the Earned Income Tax Credit and food stamp benefits. The research, summarized in recent interchanges between Wendell Primus and Ron Haskins, essentially finds that when one divides female-headed families into five quintiles, there have been both earnings and income gains in the second-lowest quintile, though the rate of gain was stronger from 1993–95 than from 1995–99, and most of the earnings gains from 1995–99 have been offset by declines in public benefits. However, for the bottom quintile, average income in 1999 is actually *lower* than it was in 1994 and 1995, because losses in means-tested income have been greater than increases in earnings. (While 1999 income is lower than 1994 income, it is higher than 1993 income; however, the key point here is that whatever base year is used, the story is that for the bottom quintile, gains in earnings have been more than offset by losses in public benefits.)

Why have the earnings gains not translated to greater economic gains for families? While the Census data cannot directly answer this question, the findings seem consistent with those already described from the leavers' studies: many families entering low wage employment have lost public assistance despite still being in poverty; Food Stamp participation has sharply declined for families leaving TANF; and a group of families has left TANF without finding work.

These findings are particularly striking in light of recent work by the Manpower Demonstration Research Corporation, looking at experimental studies to examine the impact of work-welfare initiatives on children. MDRC found that while many programs raised employment rates, only some raised income, because gains in employment were often offset by losses in benefits. In those programs where employment was associated with increased family income, MDRC found evidence of positive effects on childrens' school achievement. In addition, two of three programs that raised incomes found increases in positive behaviors by children, and one found a decline in problem behaviors. In contrast, programs in which increased employment did not translate to increased incomes had mixed effects, and no clear positive impact on childrens' well-being. The authors conclude: "[W]e found that programs that provided earnings supplements had consistently positive impacts on children's achievement... Raising employment without increasing income may not be sufficient to boost the healthy development of children in low-income families." Morris, et. Al, **How Welfare and Work Policies Affect Children: A Synthesis of Research** (Manpower Demonstration Research Corp. 2001).

The TANF caseload decline has made it possible for states to make a major redirection of resources to child care. The freed-up resources have also allowed for significant program expansions in other areas, though the existing federal reporting system does not provide a good picture of how funds are being used.

In 1996, TANF funding was set to reflect historic federal funding levels, and to remain essentially constant through 2002. The decline in TANF caseloads meant that federal and state funds became available for redirection to other services and activities to further the goals of TANF. Initially, many states were hesitant to redirect TANF funds, because they understood that federal funding would remain fixed even if caseloads began rising, they were uncertain whether the caseload decline would continue, and they were often unclear about when and how TANF funds could be used for expenditures outside of the traditional welfare system. A key shift occurred when HHS issued final TANF regulations in April 1999. These regulations made clear the breadth of state flexibility in using TANF, explaining that states could use the funds to benefit "needy families" whether or not those families were receiving traditional welfare assistance and that states could use TANF to structure supports for working families outside the traditional welfare system.

In exercising this new flexibility, the clearest response has been in committing resources to child care. States can transfer up to 30% of their TANF block grants to their programs under the Child Care and Development Block Grant, and can also spend TANF funds directly for child care. Each year, the amount of TANF funding redirected to child care has grown; in 2000, we calculate that $3.5 billion in TANF funding was redirected to child care, an amount as large as the entire federal child care block grant. This additional funding has allowed states to increase the numbers of families receiving subsidy assistance, raise eligibility levels, improve payment rates to child care providers, and expand spending for child care quality initiatives. At the same time, state administrators often express apprehension about the extent to which child care expansions have relied upon a source of funding that is not seen as stable or predictable.

The expanded funding has made an important impact, there are still significant indicators of unmet needs. As noted above, most working leavers do not receive child care subsidies. There is no available national data on the share of TANF children receiving child care assistance; a study by the National Center for Children and Poverty and Abt Associates reported that in 1999, the share of TANF children receiving child care subsidies in ten states ranged from 7% to 26%. (An eleventh state reported a higher figure, but there appear to be data problems affecting the reliability of that figure.) And, HHS has estimated that nationally, 12% of potentially eligible children were receiving subsidy assistance under the Child Care and Development Block Grant in 1999. While the numbers receiving assistance would be higher if all funding sources were considered, the basic picture of unmet need would remain. Moreover, resource constraints in child care are expressed in a range of ways: in state eligibility levels, fee scales, payment rates to providers, limited outreach to eligible families. For example, state child care payment rates are important in determining whether families receiving subsidies have equal access to child care arrangements comparable to families above CCDBG income levels, as envisioned under federal law. The federal government has said that a payment rate high enough to encompass 75% of the local market would be considered sufficient to provide equal access. However, according to the Childrens' Defense Fund, in 1999, most states were not making payments that met this standard based on a recent (within two years) market survey. Moreover, there continue to be concerns about high staff turnover, compensation and training issues for child care providers; shortages of care for particular populations and needs (e.g., infant care, special needs care, sick care, non-traditional hour care); and about the uneven quality of care in a range of settings.

In other areas, TANF funding has made it possible for states to undertake initiatives such as creating or expanding refundable Earned Income Tax Credits, initiating programs of Individual Development Accounts to promote asset formation, expanding services for victims of domestic violence and for families in need of substance abuse and mental health treatment, increasing services for non-custodial fathers, expanding "diversion" assistance for families in need of short-term, emergency help, and increasing services for family preservation and reunification. However, there are also accounts of states that have used some of their TANF funds to "supplant" state spending, i.e., to use TANF funds to replace existing state expenditures for allowable activities under the TANF law. Unfortunately, the current federal reporting structure does not provide a clear picture of TANF spending; state plans often provide only cursory detail about state spending choices, and the broad categories in federal spending reports are not very informative. Accordingly, one key challenge for researchers and for the structuring of federal reporting involves efforts to better describe the choices states are making in their use of funds.

During the 1990s, teen birth rates declined and the share of children born out of wedlock appeared to level off, though remaining at about one-third of all births. These changes began before states implemented TANF. In advancing the law's family formation goals, there is a need for both a stronger research agenda and a recognition of a set of difficult issues about the appropriate role of government.

Between 1991 and 1999, the nation's teen birth rate dropped 20%. The teen birth rate in 1999 was 49.6 births per 1000 women aged 15–19, a record low for the nation, though still high in comparison to many other countries, and still involving nearly 500,000 births to teenagers. The decline in the rate of teen births is significant, both because of concerns about outcomes for children born to teenagers and because nearly 80% of teen births are out of wedlock births.

As in other areas, it is difficult to determine the role of TANF in contributing to the decline in teen births. On one hand, the trend began well before implementation of the 1996 law. However, almost all states are funding teen pregnancy prevention initiatives using TANF funds, and TANF funding has made it possible for states to create or expand after-school programs, pregnancy prevention programs, stay-in-school programs, and an array of youth development initiatives aimed at reducing teen pregnancies and promoting stronger outcomes for low-income teens.

During the 1990s, the birth rate for unmarried women declined slightly, and the share of births to unmarried women appears to have flattened. At the peak year, 1994, the birth rate for unmarried women aged 15–44 was 46.9 per 10000; preliminary data indicates that the rate declined to 43.9 by 1999. After many years of growth, the percentage of births to unmarried women has hovered around 32–33% since 1994. Again, the change was evident before enactment of the 1996 law. (The National Center for Health Statistics reports that because of underreporting in some states, the actual peak would have been in the early 1990s rather than 1994 had numbers been fully reported.)

It is possible to characterize the out of wedlock birth numbers in one of two ways. On the one hand, the upward trajectory of recent decades clearly slowed and perhaps stopped during the 1990s. At the same time, it seems to be the case that the dramatic declines in welfare participation and increases in employment have, at least to date, not yet been associated with equally dramatic changes in out of wedlock birth patterns.

In 1996, some observers argued that welfare itself was a principal factor accounting for the rise of out of wedlock births in the United States, and that to alter these trends, it was necessary to eliminate or curtail the availability of assistance for single parent families. It is possible that reduced welfare participation and increased employment will eventually result in significant changes in family formation. However, it is not yet apparent whether that is occurring, and the other possibility is that the role of welfare benefits in contributing to out of wedlock births may have been overstated.

A TANF provision provides $100 million a year, to be divided among up to five states that have demonstrated the largest reductions in the share of out of wedlock births while also demonstrating a decline in the number of abortions in the state. Five states were awarded $20 million each under this provision in 1999 and 2000. It remains unclear whether these states had initiated distinctive programming, or whether the bonus was principally rewarding demographic changes. Thus, it is not clear that awarding these bonuses is contributing to our understanding of effective approaches for reducing out of wedlock births. Similarly, under HHS rules announced last year, states will be eligible for a high performance bonus if the share of children residing in married families in the state increases, although there are comparable concerns that this type of bonus may also result in rewarding demographic changes rather than state performance.

In recent months, some observers have argued that states have failed to actively advance the TANF goals of promoting marriage, reducing out of wedlock births and encouraging the formation and maintenance of two parent families. On the one hand, there was only limited discussion in 1996 of what Congress expected states to do to advance these goals—for many, it was assumed that reducing welfare caseloads was the intended strategy toward accomplishing them. However, as discussions of the family formation goals of TANF have increased, it seems clear that states face at least three questions in deciding how to proceed: what would work; what's the appropriate role for government; and how can the goals be advanced in ways that do not risk unintended adverse effects for children or parents.

In efforts to promote employment, states have often been able to rely on an extensive research base developed over many years; there is not a comparable research base to draw from in efforts to reduce out of wedlock births or promote family formation. There is a stronger research base for teen pregnancy prevention efforts, but less to point to for initiatives affecting adults. Recent evidence suggest that stronger child support enforcement is correlated with reduced out of wedlock births and reduced marital break-ups. And, the evaluation of the Minnesota Family Investment Program found that a welfare reform effort that expanded eligibility for two-parent families, combined a work requirement with a modest sanction (10% grant reduction for noncompliance) and included a substantial earnings supplement for employed families, was associated with an increased likelihood that participants would enter or stay in two-parent families. A set of programs have demonstrated success in increasing engagement of fathers in the lives of their children. And, it has been suggested that a strong focus on promoting employment for young men could have an important impact in increasing their likelihood of marriage. Overall, though, a federal research agenda could strengthen the knowledge base in these areas.

Even with additional knowledge, states still face difficult issues in determining the appropriate role for government and how to advance these goals without risking unintended consequences. In their efforts to promote work, states drew on a strong public consensus that, with limited exceptions, adults of working age ought to be working. There is not a comparable public consensus that adults of marriageable age ought to be married. There are strong indications from research findings that, all else being equal, better outcomes for children in a number of areas are associated with having been raised in a two-parent family. Part of the effect is because two-parent families are likely to have more income, but the research does suggest an independent effect for family structure. However, all else is not always equal, and it is difficult for states to determine how to translate these broad research findings into advice for an adult contemplating marriage or divorce. While marriage is often the best arrangement for parents and children, there are some circumstances where marriage or continued marriage may not be the best arrangement, e.g., in high-conflict marriages or circumstances of domestic violence. Moreover, because marriage and divorce involve highly personal decisions in which people must weigh an array of factors, there are concerns that strong government pressures or creation of financial incentives to marry could distort decisions in ways that may not necessarily be best for parents or children. While it is possible that such policies could increase the number of marriages, they might also increase martial dissolution rates and high conflict marriages.

Government can clearly communicate that parents have an obligation to support their children, and states have done so through strong emphases on work and child support. Government can also seek to ensure that its policies are not having the effect of creating barriers to marriage and family formation. At the same time, the focus on family formation in TANF draws from a concern about seeking to improve outcomes for children, and efforts to address these goals need to proceed in ways that are both sensitive to the appropriate role of government and that do not present risks of leading to worse outcomes for children.

CONCLUSION

Thank you for inviting me to testify today. We appreciate the Subcommittee's interest in seeking to develop a picture of the experience since 1996, and hope this information can be helpful.

Chairman HERGER. Thank you, Mr. Greenberg.

Mr. Rector.

STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, HERITAGE FOUNDATION

Mr. RECTOR. Thank you, Congressman. It's a pleasure to be here, and I thank you for the invitation.

Let me begin with two points of background which I think are necessary to frame this issue of the analysis of the effects of welfare. The first point is that conventional welfare harms children. It destroys their lives and it reduces their prospects for success.

In my written testimony I cite, for example, excellent research by Dr. June O'Neill, the former head of CBO, who shows that a child who even spends a small amount of time on welfare, compared to another child who is otherwise identical but not on welfare, has a significant drop in the child's IQ of up to 20 percent. A huge, huge deficit for that child to overcome.

Other research that I cite shows that children who are raised on welfare have significantly lower earnings when they become adults, when compared to similar poor children who spent less time on welfare. Even if the welfare increases the family income, it actually harms that child as the child becomes an adult.

Welfare also increases the rate of drop out, and it increases the probability that a child will receive welfare as an adult. All of these comparisons, the effect is due to welfare, per se, not to poverty. A child who is poor and not on welfare will do significantly better than a child who is also poor but is on welfare.

A second point. Being born out of wedlock and raised in a single-parent house has significant negative effects on children. About 75 percent of the child poverty that exists in the United States is to single-parent families. A child born out of wedlock and raised by a never-married mother is 700 percent more likely to live in poverty than a child in an intact family.

Being raised in a single-parent family dramatically increases behavioral and emotional problems. It increases the probability of physical child abuse, in some cases by 40-fold. It increases the probability that a girl or a boy will engage in early sexual activity. It increases the probability of school failure. If it's a boy, it increases dramatically the probability that that boy will be involved in crime and end up in jail. And it increases subsequent out-of-wedlock births by girls, thereby creating a self-perpetuating problem of social pathology.

Again, these effects are the result of single parenthood, per se. A child who is poor and raised by two parents will do dramatically better than a similar child who is poor but raised without a father in the home.

Now, if I could go directly to the effects of welfare reform, the first effect, if I could show this chart coming up here, this is the dramatic effect of welfare and reducing welfare dependence. There is some argument about whether the huge drop in caseload of 50 percent that we see there on the red line on the chart is due to the economy or due to welfare reform. The white periods on the chart represent economic booms from 1950 to the present. As you can see from the chart, no prior economic boom, since the Korean war, has resulted in any significant drop in caseload. Yet, somehow this period we have a huge drop in caseload in the period of economic booms.

What is the difference in the nineties from all those previous periods of economic boom? The difference is clearly welfare reform and workfare. Those States that have stronger workfare programs have much more rapid drops in caseloads, and also greater drops in child poverty.

The second effect is child poverty. We have to emphasize again and again that, at the present time, the black child poverty rate in the United States is the lowest ever in U.S. history, since this country was formed in 1775. The child poverty rate among children and single mother families is at the lowest point ever in U.S. history.

Why did this poverty drop this way? It dropped because we have had an unprecedented surge in the employment of single-parent families, of single-mother families, about a 50-percent increase in the rate of employment in those families, unprecedented and clearly correlated to the onset of welfare reform.

These figures are very different than what you heard from the previous panel because I'm looking at the entire population of single parents and I am not looking at leaver studies. In the discussion, we must get into detail about what is wrong with leaver studies.

Finally, if we could have the next chart, this is the effect of welfare reform on single parenthood and out-of-wedlock births. Starting back in 1965, at the beginning of the war on poverty, about 7 percent of children were born out of wedlock. That figure, by 1995, had risen to 33 percent. Among blacks, which is the top line there, the figure had risen from about 20 percent up to 70 percent.

As you can see in the last 4 years on that chart, clearly something happened. A line which was consistently going up has kinked over and is now relatively flat or increasing at a slow rate.

Is it an amazing coincidence that, after 30 to 40 years of consistent increases, the out-of-wedlock birth rate dropped at exactly the time that welfare reform was being discussed, that President Clinton announced that out-of-wedlock childbearing was a threat to children in society, that we had a huge national debate about out-of-wedlock childbearing and we had an emphasis on personal responsibility and time limits?

Clearly, that kink-over is the result of the symbolic messages that surrounded welfare reform. It gives us a great cause for optimism, because as the previous panelists indicated, there has been really no consistent programs at the State level to promote marriage. Yet, even by the symbolic messages that we've seen here alone, we're seeing some improvement, or at least an arrest of the deterioration.

I think this shows us great prospects for the future, and I would hope that welfare reform would continue to emphasize work fair and promote, to a significant new degree, programs to promote marriage.

[The prepared statement of Mr. Rector follows:]

Statement of Robert Rector, Senior Policy Analyst, Heritage Foundation

SUMMARY

The intention of welfare programs is to benefit low income Americans, especially children. Yet the evidence indicates that children and parents are actively harmed rather than helped by welfare.

Nearly all welfare aid for children goes to single parent households. But current research indicates that both welfare dependence and single parenthood have significant deleterious effects on children's development, impeding their ability to become successful members of mainstream society.

- Prolonged welfare dependence reduces children's IQ levels. Dependence also reduces a child's earnings in future years; the longer a child remains on AFDC in childhood the lower will be his earnings as an adult. Being raised on welfare also increases the probability that a child will drop out of school and will be on welfare as an adult. Analysis shows that these effects are caused by welfare per se, not simply poverty; a poor child without welfare will do better than a similar poor child with welfare.
- Out-of-wedlock childbearing and single parenthood are the principal causes of child poverty and welfare dependence in the U.S. Children raised in single parent families are more likely to: experience behavioral and emotional problems; suffer from physical abuse; engage in early sexual activity, and do poorly in school. Boys raised in single parent households are more likely to engage in crime; girls are more likely themselves to give birth outside of marriage. These effects are the result of the collapse of marriage per se rather than poverty; a poor child living with a mother and father united in marriage will do better than a similar poor child living in a single parent home.

Conventional welfare programs were based on the assumption that material poverty or low family income is the principal cause of social and behavioral problems. Thus welfare seeks to artificially boost household income. But the simple historical record calls into question this basic assumption. In 1950 around one third of Americans were poor; back in the 1920's more than half of Americans were poor by today's standards. If having a low income were the key cause of crime, illegitimacy, drugs, or child abuse, for example, then earlier periods should have been simply awash in those problems. Instead the opposite is the case, most social problems seem to have gotten worse as incomes rose.

Clearly poverty is not the cause behind the growth of these social problems. Instead, it is the ethos within families that is critical; the norms and values imparted to children concerning: marriage, work, education, and self-control. Conventional welfare, by undermining this ethos (especially with regard to work and marriage), has increased rather than diminished most social problems.

The Goals of Welfare Reform. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) enacted in 1996 set forth three legislative goals: (1) To reduce dependence; (2) to reduce child poverty; and (3) to reduce illegitimacy and strengthen marriage. The reform has been effective in meeting each of these goals.

- **Reducing Dependence.**—Since the enactment of welfare reform, the AFDC/TANF caseloads have dropped by roughly 50 percent. Some argue that this decline in welfare dependence is due to a strong economy; however, in the last 50 years no previous economic boom has ever resulted in an appreciable decline in AFDC caseload, let alone a 50 percent drop. (See Chart 1.) It is welfare reform, not economic conditions, that has produced the huge decline in dependence in the mid-1990's.

This conclusion is borne out by an examination of changes in dependence between individual states. The fifty states vary enormously in their rates of caseload decline, but these rates of decline are uncorrelated to differences in underlying state economic factors such as unemployment or job growth rates. States with better economies have not had greater drops in caseload. By contrast, declines in dependence are directly and strongly linked to the rigor of state workfare policies.

- **Reducing Poverty.**—Opponents of welfare reform charged that reform would throw millions of children into poverty. In reality, child poverty has dropped substantially since reform was enacted, from 20.8 percent in 1996 to 16.9 percent in 1999. (See Chart 2.) The black child poverty rate and the poverty rate of children in single mother families are now at the lowest points in U.S. history. States with strong workfare systems have tended to have more rapid declines in child poverty than have states with lenient work requirements.
- **Out-of-Wedlock Childbearing.**—Starting in the mid-1960's the out-of-wedlock birth rate began a rapid and relentless climb. This increase continued without pause for three decades. (See Chart 3.) Then, in 1993 and 1994, former President Clinton gave a series of speeches on social harm of illegitimacy; he was the first president to address this topic in nearly three decades.[1] He also proposed that welfare use be limited to two years.[2] Then, in 1994, Republicans gained control of both chambers of the U.S. Congress for the first time in over fifty years. With this political shift came a dramatic change in the rhetoric concerning welfare. It became clear that future welfare would indeed be time limited and would place a far heavier emphasis on self-reliance. Further, both parties now publicly asserted that illegitimacy was harmful to children and society; the new Speaker of the House of Representatives suggested that children born out-of-wedlock might be placed in orphanages.[3]

The very next year (1995) the out-of-wedlock birth rate dropped for the first time in nearly a half-century. In each subsequent year, the rate has remained flat or increased far more slowly than in the pre-reform period. The black out-of-wedlock birth rate has actually fallen each year since 1994.

The unique and dramatic slowdown in the growth of illegitimacy clearly coincided with welfare reform. The slowdown is undoubtedly the result of changes in the social messages surrounding welfare, particularly the new emphasis on limited aid and personal responsibility.

The slowdown is all the more remarkable given the fact that almost no states have active programs designed to reduce illegitimacy or increase marriage. The fact that behavior changed in a positive manner even without specific efforts to promote that change is encouraging; it offers cause for optimism concerning the potential effects of programs specifically developed to increase marriage and reduce illegitimacy in the future.

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[1] Former President Clinton gave three major addresses on the harms of illegitimacy in 1993 and 1994. He was the first president to address this topic since Lyndon Johnson. These speeches played an important role in changing public perceptions and in opening subsequent political discourse on the issue.

[2] Former President Clinton merely intended that a small percentage of AFDC recipients would be required to work for benefits after two years on the AFDC rolls. However, his proposal was generally represented as "two years and off." Most politicians and the public thought this meant a termination of cash aid after two years on the rolls. In addition, a number of state governments were introducing their own work related reforms with a new emphasis on personal responsibility from 1993 to 1996; these programs may also have contributed to the halt in the growth of the illegitimacy rate in the mid-1990's.

[3] Former President Clinton gave three major addresses on the harms of illegitimacy in 1993 and 1994. He was the first president to address this topic since Lyndon Johnson. These speeches played an important role in changing public perceptions and in opening subsequent political discourse on the issue. In addition, a number of state governments were introducing their own work related reforms with a new emphasis on personal responsibility from 1993 to 1996; these programs may also have contributed to the halt in the growth of the illegitimacy rate in the mid-1990's.

HOW WELFARE DEPENDENCE HARMS CHILDREN

The traditional welfare system has led to high levels of welfare dependence. Dependence, in turn, has profound negative effects on the well being of children. Dr. June O'Neill and Anne Hill, comparing children who were identical in social and economic factors such as race, family structure, mothers' IQ and education, family income, and neighborhood, found that the more years a child spent on welfare, the lower the child's IQ. The authors make it clear that it is not poverty but welfare itself which has a damaging effect on the child.

Examining the young children (with an average age of five-and-a-half), the authors found that those who had spent at least two months of each year since birth on AFDC had cognitive abilities 20 percent below those who had received no welfare, even after holding family income, race, parental IQ, and other variables constant.[4]

A similar study by Mary Corcoran and Roger Gordon of the University of Michigan shows that receipt of welfare income has negative effects on the long-term employment and earnings capacity of young boys.[5] The study shows that, holding constant race, parental education, family structure, and a range of other social variables, higher non-welfare income obtained by the family during a boy's childhood was associated with higher earnings when the boy became an adult (over age 25). However, welfare income had the opposite effect: The more welfare income received by a family while a boy was growing up, the lower the boy's earnings as an adult.

Typically, liberals would dismiss this finding, arguing that families which receive a lot of welfare payments have lower total incomes than other families in society, and that it is the low overall family income, not welfare, which had a negative effect on the young boys. But the Corcoran and Gordon study compares families whose average non-welfare incomes were identical. In such cases, each extra dollar in welfare represents a net increase in overall financial resources available to the family. This extra income, according to conventional liberal welfare theory, should have positive effects on the well being of the children. But the study shows that the extra welfare income, even though it produced a net increase in resources available to the family, had a negative impact on the development of young boys within the family. The higher the welfare income received by the family, the lower the earnings obtained by the boys upon reaching adulthood. The study suggests that an increase of $1,000 per year in welfare received by a family decreased a boy's future earnings by as much as 10 percent.[6]

Other studies have confirmed the negative effects of welfare on the development of children. For example, young women raised in families dependent on welfare are two to three times more likely to drop out and fail to graduate from high school than are young women of similar race and socioeconomic background not raised on welfare.[7]

Similarly, single mothers raised as children in families receiving welfare remain on AFDC longer as adult parents than do single mothers not raised in welfare families, even when all other social and economic variables are held constant.[8]

HOW ILLEGITIMACY AND SINGLE PARENTHOOD HARM CHILDREN

The most obvious consequence of the rising tide of illegitimacy and declining marriage has been a dramatic increase in child poverty. Chart 4 shows data from the National Longitudinal Survey of Youth (NLSY) which contains a national representative sample of young mothers and their children. The charts divide children into four groups:

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[4] M. Anne Hill and June O'Neill, "Family Endowments and the Achievement of Young Children With Special Reference to the Underclass," Journal of Human Resources, Fall 1994, pp. 1090–1091.

[5] Mary Corcoran, Roger Gordon, Deborah Loren and Gary Solon, "The Association Between Men's Economic Status and Their Family and Community Origins," Journal of Human Resources, Fall, 1992, pp. 575–601.

[6] Corcoron et al.

[7] R. Forste and M. Tienda, "Race and Ethnic Variation in the Schooling Consequences of Female Adolescent Sexual Activity, Social Science Quarterly, March 1992.

[8] Mwangi S. Kimeny, "Rational Choice, Culture of Poverty, and the Intergenerational Transmission of Welfare Dependency," Southern Economic Journal, April 1991.

1. **Out-of-wedlock—Never Married**—Children born out of wedlock whose mother has never married after the birth of the child;
2. **Out-of-wedlock—Subsequent Marriage**—Children born out of wedlock whose mother marries subsequent to the child's birth;
3. **Within Wedlock—Divorced**—Children born to married parents who later divorce;
4. **Within Wedlock—Marriage Intact**—Children born to parents who were married at the time of birth and remained married.

The chart shows the amount of time since birth that a child has lived in poverty for the four different categories of children. Children born out-of-wedlock to never married women are poor fifty percent of the time. By contrast children born within a marriage which remains intact are poor 7 percent of the time. Thus the absence of marriage increases the frequency of child poverty 700 percent. However, marriage after an illegitimate birth is relatively effective, cutting the child poverty rate in half.

Additional Social Consequences of Rising Illegitimacy.—Children raised by never-married mothers have significantly more behavior problems when compared to children raised by both biological parents. When comparisons are made between families that are identical in race, income, number of children, and mother's education, the behavioral differences between illegitimate and legitimate children actually widen. Compared to children living with both biological parents in similar socioeconomic circumstances, children of never-married mothers have three times more behavioral problems than children raised in comparable intact families.[9]

Children born out of wedlock have less ability to delay gratification and poorer impulse control (control over anger and sexual gratification). They have a weaker sense of conscience or sense of right and wrong.[10] Adding to all this is the sad fact that the incidence of child abuse and neglect is higher among single-parent families.[11]

Being born out of wedlock increases the probability of teen sexual activity. Boys and girls born out of wedlock and raised by never-married mothers are two-and-a-half times more likely to be sexually active as teenagers when compared to legitimate children raised in intact married-couple families.[12]

The absence of married parents is related to poor academic performance during school years. The longer the time spent in a single-parent family, the lower the education attained by a child. In general, a boy's educational attainment was cut by one-tenth of a year for each year spent as a child in a single-parent home. Controlling for family income does not reduce the magnitude of the effect noticeably.[13]

Perhaps the worse feature of illegitimacy is that it is passed, like a virus, between generations. Being born outside of marriage significantly reduces the chances the child will grow up to have an intact marriage.[14] Daughters of single mothers are twice as likely to be single mothers themselves if they are black, and only slightly less so if they are white.[15] Boys living in a single-parent family are twice as likely to father a child out of wedlock as are boys from a two-parent home.[16] Children born outside of marriage themselves are three times more likely to be on welfare when they grow up.[17]

Illegitimacy is a major factor in America's crime problem. Lack of married parents, rather than race or poverty, is the principal factor in the crime rate. It has been known for some time that high rates of welfare dependency correlate with high crime rates among young men in a neighborhood.[18] But more important, a major 1988 study of 11,000 individuals found that "the percentage of single-parent households with children between the ages of 12 and 20 is significantly associated with rates of violent crime and burglary." The same study makes clear that the widespread popular assumption that there is an association between race and crime is false. Illegitimacy is the key factor. The absence of marriage, and the failure to form and maintain intact families, explains the incidence of high crime in a neighborhood among whites as well as blacks. This study also concluded that poverty does not explain the incidence of crime.[19]

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[9] Deborah A. Dawson, "Family Structure and Children's Health and Well-Being: Data from the 1988 National Health Interview Survey on Child Health," paper presented at the annual meeting of the Population Association of America, Toronto, May 1990.

[10] E.M. Hetherington and B. Martin, "Family Interaction," H.C. Quay and J.S. Werry (eds.), Psychopathological Disorders of Childhood (New York: John Wiley & Sons, 1979), pp. 247–302.

[11] A. Walsh, "Illegitimacy, Child Abuse and Neglect, and Cognitive Development," Journal of Genetic Psychology, Vol. 15 (1990), pp. 279–285.

[12] Research by the Heritage Foundation based on the National Longitudinal Survey of Youth.

[13] Sheila F. Krein and Andrea H. Beller, "Educational Attainment of Children From Single-Parent Families: Differences by Exposure, Gender and Race," Demography, Vol. 25 (May 1988), p.228.

[14] Neil Bennet and David Bloom, "The Influence of Non-marital Childbearing on the Formation of Marital Unions." Paper given at the NICHD conference on "Outcomes of Early Childbearing," May 1992.

[15] Sarah S. Mclanahan, "Family Structure and Dependency: Early Transitions to Female Household Headship," Demography, Vol. 5, No. 1 (1988), pp. 1–16.

[16] William Marsiglio, "Adolescent Fathers in the United States: Their Initial Living Arrangements, Marital Experience and Educational Outcomes," Family Planning Perspectives, Vol.19 (1987), pp. 240–251, reporting a study of 5,500 young men.

[17] Kristin Moore, "Attainment among Youth from Families that Received Welfare." Paper for DHHS/ASPE and NICHD, Grant #HD21537–03.

Research on underclass behavior by Dr. June O'Neill confirms the linkage between crime and single-parent families. Using data from the National Longitudinal Survey of Youth, O'Neill found that young black men raised in single-parent families were twice as likely to engage in criminal activities when compared to black men raised in two-parent families, even after holding constant a wide range of variables such as family income, urban residence, neighborhood environment, and parents' education. Growing up in a single-parent family in a neighborhood with many other single-parent families on welfare triples the probability that a young black man will engage in criminal activity.[20]

THE EFFECTS OF WELFARE REFORM ON DEPENDENCE

The War on Poverty created an expensive welfare system that encouraged dependence and penalized work and marriage. Until very recently, most liberal welfare experts argued that the flaws of the welfare system were unavoidable: Employment for most welfare recipients was seen as impossible; swollen welfare budgets and high levels of dependence were inevitable. Even the most aggressive reforms, it was argued, could reduce welfare caseloads by only a few percentage points and would cost more than the existing system.

In the last few years, these liberal myths about the impossibility of reducing dependence have been shattered.[21] In the mid 1990's states began significant work-related reforms; this process was greatly accelerated by the passage of national reform in the summer of 1996. Coinciding with these changes was an unprecedented drop in AFDC/TANF caseload, which has declined some 60 percent from its peak level in March 1994.

Once it became indisputable that the AFDC/TANF caseload could drop enormously without a social catastrophe, liberal welfare experts retreated to another line of defense, claiming that the declines in caseload were the result of economic conditions rather than welfare reform. However there are definite problems with a primarily economic explanation of caseload changes. Historically, as Chart 1 shows, the link between periods of economic growth and recession and changes in AFDC/TANF caseloads is tenuous at best. Modest increases in AFDC caseloads occurred during some, but not all, recessionary periods. In contrast, although the chart shows eight previous periods of economic expansion prior to the 1990's, not one of these growth periods resulted in a substantial decrease in AFDC caseloads. In fact, previous economic booms coincided either with relatively flat caseloads or with substantial caseload growth (during the late 1960s and early 1970s). In reality, as the chart makes clear, no sustained and significant declines in AFDC caseload occurred at any point before the mid-1990's. Thus, claims that the recent unprecedented drop in dependence has been caused largely by the current economic expansion are clearly refuted by the historical record.

Another way to disentangle the effects of welfare policies and economic factors on declining caseloads is to examine the differences in state performance. The rate of caseload decline varies enormously among the fifty states. If economic conditions are the main factor driving caseloads down then the variation in state reduction rates should be linked to variation in state economic conditions. On the other hand, if welfare polices are the key factors behind falling dependence, then the differences in reduction rates should be linked to specific state welfare policies.

In a 1999 paper, "The Determinants of Welfare Caseload Decline" the author examined the impact of economic factors and welfare policies on falling caseloads between January 1997 and June 1998.[22] (Useful data on state welfare policies were not available beyond that period.) This analysis showed that differences in state welfare policies, specifically stringency of sanctions and timing of work requirements were highly successful in explaining rapid rates of caseload decline. By contrast, the relative vigor of state economies, as measured by unemployment rates, changes in unemployment, or state job growth had no statistically significant effect on caseload decline. (See Table 1.)

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[18] Arthur B. Elsters et al., "Judicial Involvement and Conduct Problems of Fathers and Infants Born to Adolescent Mothers," Pediatrics, Vol. 79, No. 2 (1987), pp. 230–234.

[19] Douglas Smith and G. Roger Jajoura, "Social Structure and Criminal Victimization," Journal of Research in Crime and Delinquency, February 1988, pp.27–52.

[20] M. Anne Hill and June O'Neill, Underclass Behaviors in the United States: Measurement and Analysis of Determinants, New York City, City University of New York, Baruch College, March 1990.

[21] See Robert Rector, "Wisconsin's Welfare Miracle," Policy Review, March/April 1997.

- During the period analyzed, states with immediate work requirements and strong sanctions for non-compliant behavior had an average caseload reduction of 50 percent.
- By contrast, states with weak sanctions and no immediate formal work requirement had an average caseload reduction of 14.2 percent during the same period.[23]

Thus while the overall health of the U.S. economy has been a positive background factor contributing to the reduction of welfare dependence, the economy has been neither a sufficient nor a primary factor in that reduction. The huge state variations in the rate of caseload decline cannot be attributed to differences in state economic factors, but can be convincingly explained by differences in the rigor of work-related welfare reforms. Policy reform, not economics, has been the principal engine driving the decline in dependence.

Critics may charge that it is easy to cut caseloads simply by kicking individuals off welfare whenever they commit a minor infraction. In reality, very little of the present caseload reduction is the result of states using sanctions simply to remove individuals from the rolls. Instead, serious work requirements sharply reduce dependence because they lower the attractiveness of welfare compared to private sector employment.

EFFECTS OF WELFARE REFORM ON POVERTY

During the debate over welfare reform in 1995 and 1996, reform opponents shrilly predicted that the reform would produce large increases in child poverty. In reality, decreases in dependence would have had beneficial effects on children's long-term development, even if they were accompanied by decreasing family income. However, as Chart 2 shows, the fall in the national AFDC/TANF caseload has resulted in a significant decrease in child poverty, not an increase.

Indeed, if the earned income tax credit, Food Stamps, and other means-tested benefits are counted as income, the child poverty rate now stands at 12.0 percent, the lowest rate since 1979. The black child poverty rate and the poverty rate of children living with single mothers are now at the lowest points in U.S. history.

This positive picture is confirmed at the individual state level. Wisconsin, for example, which has led the nation in reducing dependence, is also among the leading states in reducing child poverty. Wisconsin has cut its child poverty rate almost in half and now has one of the lowest rates of child poverty in the nation.

In general, those states, which have strong workfare systems and strict sanctions for non-compliant behavior by recipients, have seen more rapid drops in child poverty. By contrast, states, which have weak work requirements and lenient sanctions, on average, have seen the least decline in child poverty.

EFFECTS OF WELFARE REFORM ON OUT-OF-WEDLOCK BIRTHS

As Chart 3 shows, when the War on Poverty began, 7.7 percent of American children were born out of wedlock. Today, that figure is 33 percent. The collapse of marriage among blacks has been particularly disturbing: At the outset of World War II, the black illegitimate birth rate was slightly less than 19 percent. Beginning in the late 1960s, however, the rate of black illegitimate births skyrocketed, reaching 49 percent in 1975 and 70 percent in 1995. Rapid increases in illegitimacy are also occurring among whites. The illegitimate birth rate among whites is 26 percent; among white high school dropouts, it is 48 percent.

In nearly every year since the mid-1960s, the percentage of births that were out-of-wedlock increased steadily. However, starting in 1995, there was an abrupt shift in the growth of illegitimacy. The growth of the white out-of-wedlock birthrate slowed considerably, and the black rate actually declined slightly.

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[22] Robert E. Rector and Sarah E. Youssef, "The Determinants of Welfare Caseload Decline" Report of the Center for Data Analysis, The Heritage Foundation, May 11, 1999.

[23] Based on a regression analysis holding the rate of unemployment in the state constant. The values predicted by the regression model closely conform to the actual observed values in the states. The mean caseload reduction over the 18 month period among the states with both a strong full check sanction and a formal immediate work requirement was 55.2 percent. The mean caseload reduction among the fourteen states with weak sanctions and no immediate work requirement was 16 percent.

It is no accident that this halt or slowdown in the growth of illegitimacy coincided with the debate and national passage of welfare reform. Prior to the mid-1990's there had been a 30 year taboo on discussion of illegitimacy. While marriage disintegrated few politicians in either party were willing to even mention the topic. However, in 1993 and 1994, this gag rule was breached; then President Clinton gave a series of speeches on the social harm of illegitimacy. In 1994, serious legislation to reduce illegitimacy was introduced in both the House and the Senate; this legislation opened a vigorous public discussion on the harmful effects of illegitimacy for the first time in three decades. Both parties publicly acknowledged that illegitimacy was harmful to children and society. During this period press treatment of illegitimacy and its links to welfare expanded tenfold.

In addition, in 1993, then President Clinton proposed placing a two year time limit on the receipt of AFDC.[24] Many states began moderate self-sufficiency programs placing work-related behavioral requirements on AFDC recipients. Most critically, in 1994, Republicans gained control of both chambers of the U.S. Congress for the first time in over fifty years. Republican control of Congress heralded a dramatic change in the rhetoric surrounding welfare. Through the "Contract with America" and repeated public announcements, it became clear that future welfare would indeed be time limited and would place a far heavier emphasis on self-reliance. The newly elected Speaker of the House of Representatives suggested that children born out-of-wedlock might be placed in orphanages.

It was no mere coincidence that just one year later (in 1995) the illegitimate birth rate fell for the first time in nearly a half-century. In subsequent years the rate remained flat or increased only slightly. This slowdown in the growth of out-of-wedlock childbearing is undoubtedly the result of changes in the social messages surrounding welfare, particularly the new emphasis on limited aid and personal responsibility.

The slowdown is all the more remarkable given the fact that almost no states have active programs designed to reduce illegitimacy or increase marriage. The fact that behavior changed in a positive manner even without specific efforts to promote that change is encouraging; it offers cause for optimism concerning the potential effects of programs specifically developed to increase marriage and reduce illegitimacy in the future.

RECOMMENDED POLICIES

Future welfare reform should be focused on three themes: encouraging marriage, requiring work, and controlling costs.

- Encouraging Marriage. The erosion of marriage is the principal cause of child poverty, welfare dependence, and a host of other social problems. The welfare reform act of 1996 established illegitimacy reduction as a principal goal with the expectation that state governors would take the lead in developing innovative programs to restore marriage.[25] But, today, only a handful of governors even mention marriage and no state has a significant program to reduce illegitimacy.[26] Thus, it should be no surprise that the illegitimacy rate has not fallen more, and for whites has even begun to creep slowly up again. A major challenge in welfare reauthorization will be to create new programs that carry out the original goals of PROWRA to increase marriage and reduce illegitimacy.
- In the future, 5 to 10 percent of federal TANF funds should be allocated to pro-marriage programs in at risk communities. These should include: pro-marriage education in high schools, public ad campaigns, marriage mentoring programs for young couples at risk of having children out-of-wedlock, pro-marriage counseling and services for pregnant non-married women participating in Medicaid, and divorce reduction programs.
- Requiring work. Welfare should not be a one way handout. Yet current data suggest that roughly half of the two million mothers presently on TANF sit idly on the rolls and are not engaged in any activity leading toward self-sufficiency. As part

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[24] Former President Clinton merely intended that a small percentage of AFDC recipients would be required to work for benefits after two years on the AFDC rolls. However, his proposal was generally represented as "two years and off." Most politicians and the public thought this meant a termination of cash aid after two years on the rolls.

[25] Much of the discussion about illegitimacy has been deliberately sidetracked into the non-controversial and far less important topic of "teen pregnancy." Only around 15 percent of out of wedlock births occur to girls under 18. Illegitimacy is primarily a problem of young adult men and women. Teen pregnancy could be eliminated completely without having much effect on the far larger problem of illegitimacy.

[26] Governors George W. Bush of Texas, Frank Keating of Oklahoma, and Mike Leavitt of Utah have been unusual in their willingness to speak out in defense of marriage.

of reauthorization, states should be required to have 90 percent of their adult TANF recipients engaged in work activities or off the rolls. If this sort of serious work requirement were established, it would be reasonable to expect the national TANF caseload to fall to 700,000 or lower by the year 2010.

- Controlling Costs. As the TANF caseload continues to fall, there is no reason to maintain the high historic levels of federal TANF spending. Future TANF authorization levels should be cut by 10 percent.

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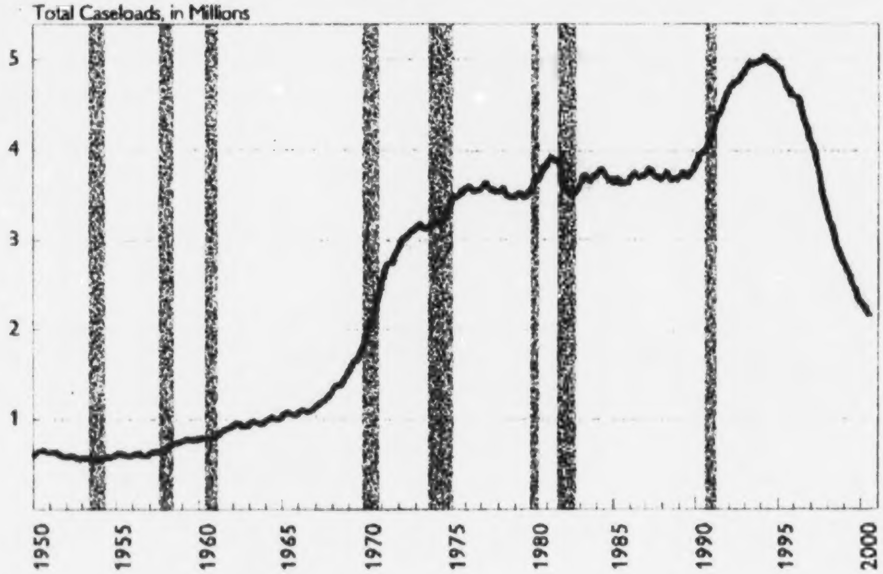
*Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own, and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

Chart 1

The Heritage Foundation

U.S. Families on AFDC/TANF and Economic Conditions, January 1950 to June 2000

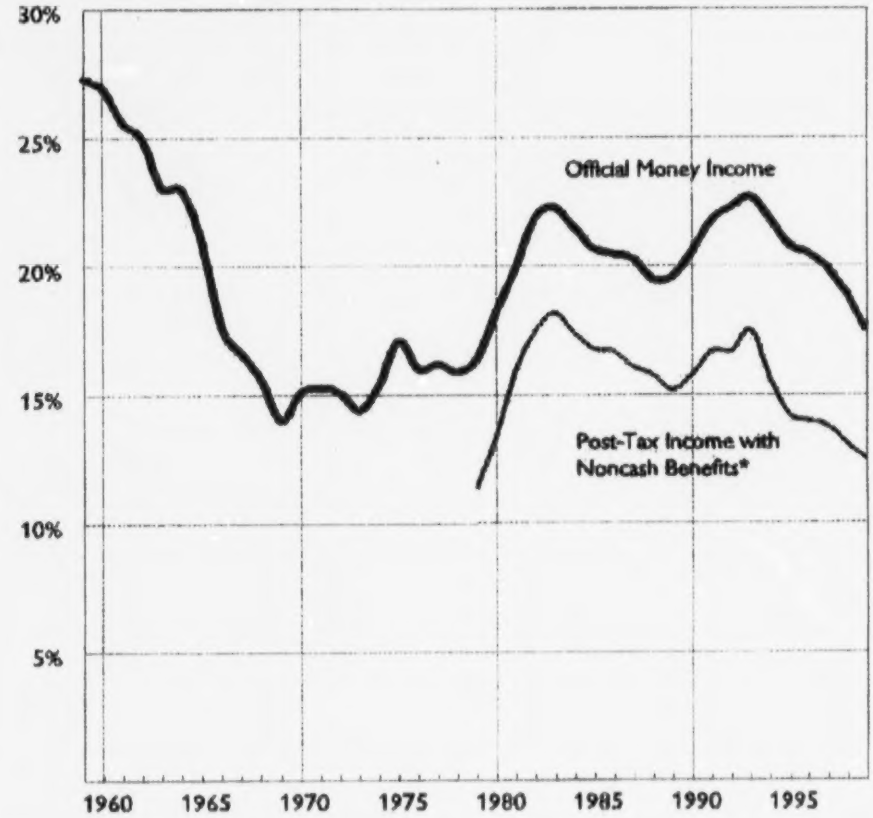


Note: Shaded areas indicate economic recessions.
Source: U.S. Department of Health and Human Services.

Chart 2

The Heritage Foundation

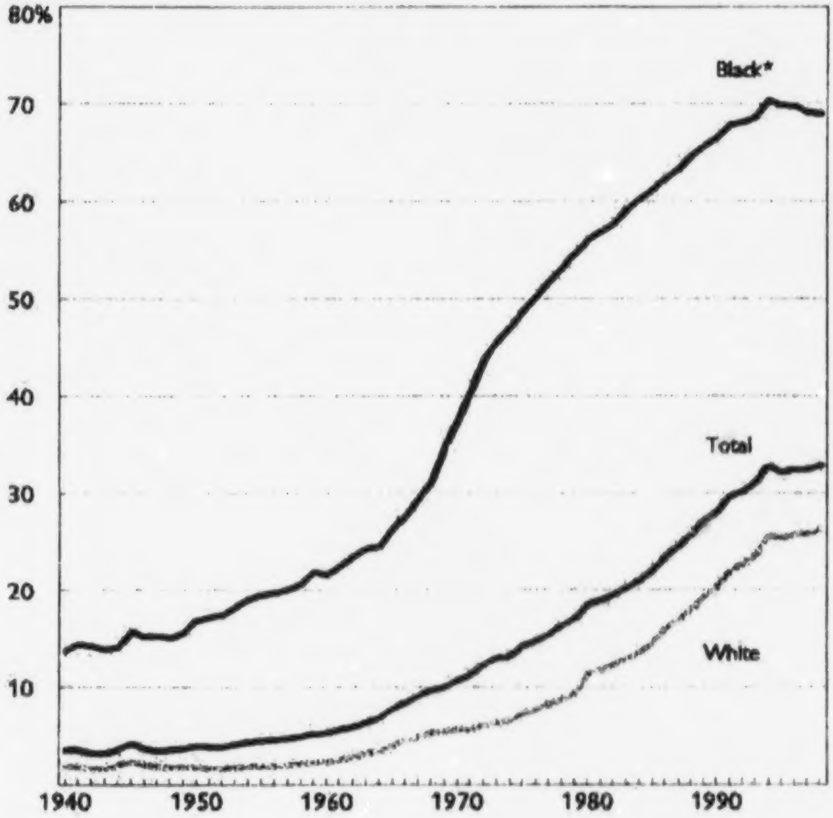
Percent of Children Under 18 in Poverty



Note: *Includes non-cash aid such as Earned Income Tax Credit, Food Stamps, housing, and medical care
Source: U.S. Bureau of the Census, *Current Population Reports* P-60-210, P-60-182 RD, and various reports.

Chart 3 **The Heritage Foundation**

Out-of-Wedlock Births as a Percentage of All Births: 1940–1998

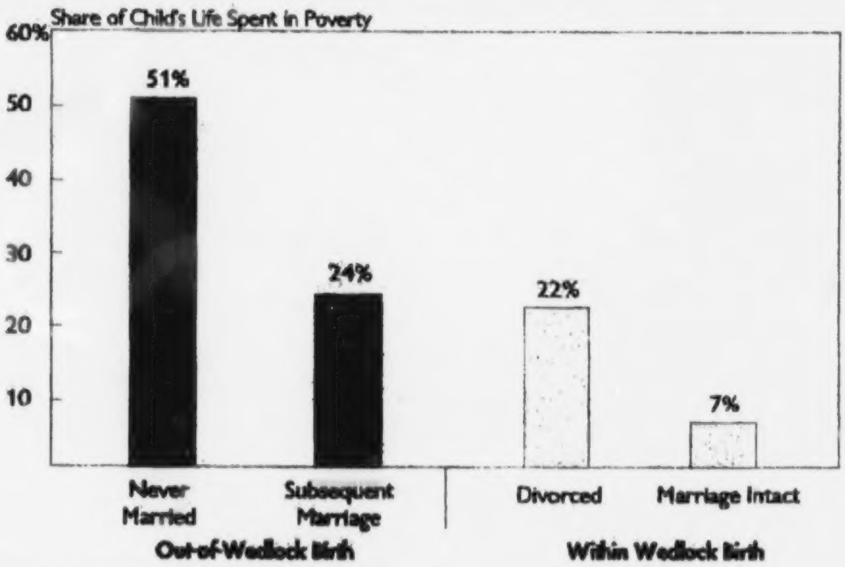


Note: *1968–1996 data represent black births; 1940–1968 data represent very similar figures for non-white births
Source: Centers for Disease Control, National Center for Health Statistics, Division of Vital Statistics

Chart 4

The Heritage Foundation

Time in Poverty for Children by Family Structure



Source: The National Longitudinal Survey of Youth.

Table 1

State Caseload Reduction and Workfare: January 1997–June 1998

Rank		Rank Description	Sanction Type	Caseload Reduction	Unemployment Rate
1	Idaho	Highly Successful	Initial full-check sanction	77.5%	5.2%
2	Wisconsin	Highly Successful	Initial full-check sanction	74.3%	3.4%
3	Wyoming	Highly Successful	Initial full-check sanction	66.1%	4.8%
4	West Virginia	Highly Successful	Delayed full-check sanction	63.6%	6.7%
5	Mississippi	Highly Successful	Initial full-check sanction	48.9%	5.6%
6	Florida	Highly Successful	Initial full-check sanction	45.8%	4.7%
7	Texas	Highly Successful	Moderate sanction	42.0%	5.2%
8	Kansas	Highly Successful	Initial full-check sanction	40.4%	3.7%
9	Alabama	Highly Successful	Delayed full-check sanction	40.2%	4.7%
10	Arkansas	Highly Successful	Initial full-check sanction	40.0%	5.3%
11	Georgia	Above Average	Initial full-check sanction	39.4%	4.4%
12	South Carolina	Above Average	Initial full-check sanction	37.1%	4.1%
13	Colorado	Above Average	Delayed full-check sanction	36.6%	3.2%
14	Arizona	Above Average	Delayed full-check sanction	34.2%	4.5%
15	North Carolina	Above Average	Weak Sanction	34.2%	3.6%
16	Delaware	Above Average	Delayed full-check sanction	33.1%	3.9%
17	Oklahoma	Above Average	Initial full-check sanction	32.3%	4.0%
18	Ohio	Above Average	Initial full-check sanction	31.9%	4.4%
19	South Dakota	Above Average	Delayed full-check sanction	29.7%	2.9%
20	Oregon	Above Average	Delayed full-check sanction	29.0%	5.6%
21	North Dakota	Average	Delayed full-check sanction	27.4%	2.4%
22	Virginia	Average	Initial full-check sanction	27.1%	3.7%
23	Connecticut	Average	Delayed full-check sanction	26.9%	4.7%
24	New Hampshire	Average	Delayed full-check sanction	26.2%	3.0%
25	Kentucky	Average	Weak Sanction	25.9%	5.0%
26	Michigan	Average	Delayed full-check sanction	25.8%	4.1%
27	Maryland	Average	Delayed full-check sanction	25.5%	4.9%
28	New Jersey	Average	Delayed full-check sanction	25.1%	5.1%
29	Missouri	Average	Weak Sanction	24.3%	4.2%
30	New Mexico	Average	Delayed full-check sanction	24.3%	6.3%
31	Pennsylvania	Below Average	Weak Sanction	24.2%	5.0%
32	Tennessee	Below Average	Initial full-check sanction	23.4%	5.1%
33	Washington	Below Average	Weak Sanction	21.9%	4.6%
34	Illinois	Below Average	Delayed full-check sanction	20.1%	4.6%
35	Maine	Below Average	Weak Sanction	19.8%	5.0%
36	Louisiana	Below Average	Delayed full-check sanction	19.6%	5.8%
37	Montana	Below Average	Weak Sanction	18.8%	5.4%
38	Massachusetts	Below Average	Delayed full-check sanction	18.4%	3.8%
39	Utah	Below Average	Moderate sanction	18.4%	3.1%
40	California	Below Average	Weak Sanction	17.9%	6.2%
41	Alaska	Poor	Weak Sanction	17.5%	7.3%
42	New York	Poor	Weak Sanction	17.4%	6.2%
43	District of Columbia	Poor	Weak Sanction	17.4%	8.2%
44	Indiana	Poor	Weak Sanction	16.2%	3.4%
45	Iowa	Poor	Delayed full-check sanction	16.1%	3.0%
46	Nevada	Poor	Delayed full-check sanction	15.6%	4.3%
47	Vermont	Poor	Weak Sanction	15.2%	3.8%
48	Minnesota	Poor	Weak Sanction	10.7%	3.1%
49	Rhode Island	Poor	Weak Sanction	5.2%	5.1%
50	Nebraska	Poor	Initial full-check sanction	1.6%	2.4%
51	Hawaii	Poor	Weak Sanction	-9.8%	6.7%

Sources: Vee Burke and Melinda Gish, *Welfare Reform: Work Trigger, Time Limits, Exemptions and Sanctions Under TANF*, Congressional Research Service, 98-697 EPW, August 6, 1998. Caseload data from U.S. Department of Health and Human Services Administration for Children and Families, *http://www.acf.dhhs.gov*. Unemployment data from U.S. Bureau of Labor Statistics, *http://stats.bls.gov/datahome.htm*

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Chairman HERGER. Thank you. I appreciate your testimony.

Mr. Rector, just as a parent of several children myself, I know how difficult it is to raise children with two parents, let alone just one. So I believe the obvious challenges that you're mentioning are certainly there in spades.

But do you have any comments on this correlation between when workfare came in and the illegitimacy went down, and also, do you have any suggestions, as we're looking towards reauthorization, on perhaps any programs that promote marriage? Obviously, we can't mandate or legislate marriages—but do you have any thoughts on what we might do as we look ahead?

Mr. RECTOR. Yes. If we could put the chart on legitimacy back up, what you see on that chart is illegitimacy rising at almost a straight line there since the early fifties on, greatly accelerating at the beginning of the war on poverty back in the mid-sixties. Then you have this amazing kink-over where it drops for the first time in almost 50 years in 1995, and has increased at a relatively slow rate.

What happened at that period in the mid-nineties—let me back up. Between roughly 1965 and 1995, no single political leader in the United States mentioned the topic of growing out-of-wedlock births. Lyndon Johnson tried it in the mid-sixties, and he was trashed and attacked. We then had what I call the "gag rule" over this issue. We did not talk about it.

In 1993 and 1994, former President Clinton actually began to talk about the issue and had a series of major speeches about the huge negative effects of out-of-wedlock childbearing on children. And then in '94 we also had legislation introduced here in the Congress for the first time ever that tried to reduce out-of-wedlock childbearing, and we had about a tenfold increase in press treatment of the topic.

At the same time we had workfare programs, moving forward at the States, and when the Contract with America was enacted, we had very serious talks about time limit. The former Speaker of the House was talking about putting children born out of wedlock into orphanages, and there was this huge symbolic change about how people perceived welfare and what welfare was going to be like in the future.

As a result of that change in the symbolic messages alone, you can see that, quite clearly, something happened to behavior. It's not nearly enough. We need to bring those out-of-wedlock birth rates back down to where they were in the 1950's. But it's very optimistic that, having no specific programs, just by rhetoric alone at the political level, we seem to have had an effect on behavior.

I would look forward in the future to having specific set asides of money within TANF to go to pro-marriage activities, communicating the value of marriage, providing skills to help young people keep their marriages together.

I will just cite one example that I consider very tragic. Eighty-five percent of the out-of-wedlock births in the United States are paid for by the Medicaid system. That means that the mother is on Medicaid at the time she's pregnant. She is already in contact with the government. And in close to half those cases, this is generally a young woman in her early twenties.

In close to half those cases, that woman is going to be cohabiting with the biological father of the child while she's pregnant and at the time she gives birth. Yet you could go from Maine to Alaska, across this country, and you would not find, in any government jurisdiction, that the government even passes out a single brochure to that young couple affirming the value of marriage to them, as far as I'm aware of, let alone offering them positive suggestions, skills, mentoring and even reducing some of the penalties that would occur to them if they did get married.

So that's a clear example of the kind of opportunity that we must seize in the future. We should go into each of those couples and, noncoercively, say "Have you thought about marriage?" And the answer is, in most cases, yes, they have. "What could we do to help?" We should try to give them information, kind of consumer information. "Let us explain to you what the difference in well-being for this child will be if you two do get married. Let me explain what the difference will be to you as a young man, the father, and to you as a young woman." Then I would go on and provide them with skills to help keep their relationship together, rather than having them go through one fractured relationship after another.

There are many, many opportunities like that which we can take to help improve the well-being of the lives of these young people and their children, and dramatically reduce child poverty. Because if you're interested in child poverty, increasing marriage is the way to go after it.

Chairman HERGER. Thank you.

Mr. Greenberg, do you have a comment on this?

Mr. GREENBERG. Yes, thank you. I would be happy to.

Mr. Chairman, let me distinguish two issues. One is the research question, about what has happened and when has it happened, and the other is how do we think about where to go from here.

At the research level, it does seem that there was a leveling off of out-of-wedlock births, roughly starting around 1994, 1995. However, the National Center for Health Statistics indicates that there had been some under reporting of numbers in some States, and that, if that had been taken into account, the peak would have been several years earlier.

We also know that teen births were declining throughout the 1990's, that that also began at an earlier stage. So clearly, something happened in the early 1990's which did change the trajectory. But it seems very unlikely that changes that began in the early 1990's could be explained by enactment of the 1996 law or the public discussions in 1994 and 1995.

We see the declines in welfare participation starting in 1994. We see increased labor force participation by female-headed families starting earlier than that. So a whole set of changes are occurring in the 1990's. I think at this point there is not a research base for us to be saying it's because this set of people started talking about out-of-wedlock births. I think we should be cautious on that score.

More generally, just emphasizing the changes in the 1990's, in addition to the changes happening in welfare systems, we were at the same time seeing a strong national economy, the expansion of the earned income tax credit, the expansion of the child care funding, expansions of health care, strong child support enforcement; a whole set of things happening all at the same time. It's very difficult, from what we have, to say this caused that.

More generally, as you look ahead to next year, a starting point is that for many people in 1996, I think there was an expectation that, if welfare caseloads came down, it would translate into a reduction of out-of-wedlock births. So far, we have seen a leveling out, but we haven't seen a decline. It's possible that more is going to change over time, that as more families are in employment over longer periods, we may see changes. But it is also possible that welfare wasn't as big a factor in out-of-wedlock births as was suggested by some in 1995 and 1996.

More broadly, as States now face questions about what to do around family formation, and how they should think about next steps, my own sense from a lot of conversations, is that, on the one hand, there is genuine interest in wanting to get a better sense of what would work. There would be a genuine interest in seeing a research agenda developed around it.

At the same time, there is a sense of that decisions about marriage are enormously complicated personal decisions, that the process of a public agency saying, "Yes, we think you ought to get married," is a difficult one. One can look at research about effects of marriage or the effects of raising children in single-parent families.

But the research doesn't tell you in any individual case when you would advise somebody "Yes, I think you should get married," or "No, I think you should or shouldn't get divorced." Those are difficult personal issues, and I think there's a real concern on the part of States both about trying to determine what's the appropriate role of government, and also wanting to be sure that government doesn't inadvertently encourage people to get married for the wrong reasons—to get married because they feel that they're being pressured by others to do it; to get married because they feel there's a financial incentive, that they'll make money when they do it; to enter into marriages which may not be stable marriages and may not be the best for their children in the long run.

So, I do think it's an important discussion to have. At the same time, trying to determine what's the appropriate role of government and what's the role that doesn't have unintended adverse effects, is an important part of the conversation, also.

Chairman HERGER. Thank you.

Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman. Let me just concur with Mr. Greenberg's response to the questions you asked Mr. Rector.

Mr. Rector, in listening to your analysis, if the Soviet Union would have fallen one decade later, I assume you would have said it was the welfare reform bill that Congress passed. It seems to me that you're oversimplifying a lot of the problems we have out there.

Mr. Greenberg pointed out that we reached a peak in births by teenage parents in 1991. Now, that was prior to any of the events that you have referred to. I point that out because I personally believe that a lot of what you said is important. Many of the policies that Congress has done, many of the societal changes, have had a very positive impact on reducing teenage parents. I think that's important.

But I just think it's important that we don't try to oversell this. I listened to you go through the child of a family that was receiving cash assistance versus other children in poverty, and I don't think there's any empirical evidence on that.

I do know, though, that the quality of a school, or the quality of health care, the quality of child care, all directly affect a child's ability to succeed, and that there is a direct correlation, which is reverse, on the quality of the school that a child attends, of a family on welfare, or the health care they receive, the child care they receive, or the nutrition the child receives. I think all that makes it more difficult for a child born in poverty to be able to advance.

I want to ask a question, though, because I am very concerned about part of the Heritage Foundation's budget for America, in which you would take TANF funds and use some of that for—and also our child support funds—and divert that to the Office of Marriage Initiatives.

I mention that because I think in the last Congress we were able to do some very positive things. For example, the fatherhood initiative that Mrs. Johnson and I have been working on. It passed the House, and we hope we will be able to get that done. The President has put it in his budget. But he has put it as an addition, not taking away from the dollars that are otherwise available for poverty programs.

In child support collections, there is evidence that there is less chance of out-of-wedlock births where child support is actually received. And yet your organization wants to divert money from child support collections, which I think is directly opposite to one of the objectives we're trying to achieve, namely having less out-of-wedlock births.

I just want to caution you. If you're interested in a bipartisan effort in this Congress to deal with these issues, don't take money out of TANF. If you do, you're going to have a fight on your hands.

Mr. RECTOR. Congressman, with all due respect, when we passed the TANF law, we set three goals, as you well recall.

Mr. CARDIN. I believe it was four. But go ahead.

Mr. RECTOR. Four, OK. Even a stronger point. It was reducing dependency, reducing poverty, reducing illegitimacy, and increasing strength in marriage, or two-parent families.

Now, as we looked at the last 5 years, it is difficult for me to find, out of tens of billions of dollars of spending, even a single million here or a million there that has been spent on those last two goals.

Mr. CARDIN. The States are not spending money on——

Mr. RECTOR. On reducing out-of-wedlock births and increasing marriage, absolutely not. The only two States that I'm aware of that have efforts in that area are Arkansas and Oklahoma, and they are spending less than $10 million out of the whole pot.

So the point that I would make is that those two goals have largely been neglected, and they were largely neglected—I can only find four Governors that even mention the word "marriage"—they were largely neglected because we did not mandate.

What we will be recommending is that we carry out those goals, which have been universally and almost totally ignored at the State level. To do that, we will have to earmark a small portion of the TANF funding to go to those purposes, vis-a-vis child support. The entire reason that child support exists, Congressman, is because we have an astronomically large divorce and out-of-wedlock child caring record. If we could take a tiny, tiny portion of child support, which is what we're recommending, and significantly reduce the divorce rate, we would improve the well-being of children vastly more than we can do through the child support system, and we would make the collection of child support less necessary.

I think you believe that we can do that, and I think that we can agree that that would be a good thing to achieve.

Mr. CARDIN. I would just make this final point.

If this Congress believes that we can afford $1.6 trillion in tax relief, we can afford to put the extra money into these programs. That's where you're going to be able to get a bipartisan agreement.

I feel like a good Republican here today, trying to protect the States on flexibility. I find it interesting that the Heritage Foundation only wants earmarks of categorical grants when it suits your purpose, but not on the general philosophy that we respect the States. I spent more time in the State than I have the Federal government so far. I spent 20 years in the State legislature. I do have confidence in our States. It seems a little strange that you pick your narrow agenda to have the Federal Government mandate how the States respond to the overall objectives.

We've had a good run on the welfare changes. We've had some good results. States have used innovative new programs. We've had programs in Maryland to deal with teenage pregnancy, and they've been effective. Yes, we've used different resources, different pots of funds, in order to accomplish that result. We haven't relied solely on Federal assistance to do that.

But we wouldn't have been able to do that if we didn't have the flexibility under TANF. And now you want to take away our flexibility under TANF. I think you really are violating the understanding we had between the Federal government and the State governments on TANF reform.

Now we should build on it. We shouldn't weaken it. There should be more resources provided because, you're right, the problems are great problems, so let's agree together to put more resources into the programs and trust our States to respond to the issues.

Thank you, Mr. Chairman.

Chairman HERGER. Thank you.

The gentleman from Pennsylvania, Mr. English.

Mr. ENGLISH. Mr. Rector, I won't call on you to comment on bipartisanship because you're here really to analyze policy in this particular area, rather than some of those things that are really more in our jurisdiction. I don't know if Heritage, in fact, would have established a causal link between the fall of the Soviet Union and welfare reform, if the timing had been better. But I do remember——

Mr. RECTOR. They're two different departments, so we probably would have——

Mr. ENGLISH. I do remember some of the predictions and analyses that Heritage provided when we were doing the original welfare reform, and some of the predictions and analyses provided by other groups. Others, as I recall, suggested at the time that one million children would be cast into poverty because of welfare reform. The latest figures suggest two million children have left poverty since 1996. This is a huge disparity. It seems to me Heritage was a little more accurate in predicting what happened than some of the other groups.

Can you comment and elaborate on that, and perhaps—I realize other groups have attributed the success of welfare reform to the powers and principalities of the year, but how would you square that circle?

Mr. RECTOR. One of the things that we have to recognize is that the bulk of the research that was done in this area before welfare reform was simply, absolutely incorrect. It was incorrect then, and the bulk of the research being provided today is also quite incorrect and very misleading.

If I could just cite one example, which I'm sure you remember. Back in '95, the conventional wisdom of welfare experts was that a workfare program, at its maximum intensity—as in Riverside, CA, which you may remember, that was the big success—might reduce welfare caseloads by five percent over two to three years.

At the exact point that that debate was going on here in Washington, the welfare caseload in many counties in Wisconsin was dropping at 5 percent per month. I was out there in Wisconsin watching it go down, and I could see with my own eyes—and we had known for 10 years why these analyses were wrong and why they would fail. They are very similar to the leaver studies today. They are systematically and dramatically incorrect in their basic structure.

Mr. ENGLISH. Could you comment on the leaver studies for a moment?

Mr. RECTOR. OK. The problem with the leavers studies is that they start with a population that's already on TANF, and then they measure them as they exit off.

Perhaps the strongest effect that welfare reform and workfare has is that mothers never enter the TANF system at all, so they are never even on the radar scope for these studies. As welfare reform becomes more and more effective and the caseload goes down, the people that will be exiting off TANF are increasingly the bottom of the barrel. You would expect a declining set of results.

Meanwhile, the most effective mothers, the most employable ones, never are going anywhere near TANF at all. In Wisconsin, at least half of the drop in caseload was women who never entered the front door because they knew, once they came in, they were going to have to work for benefits.

That's why, if you want to study the overall effect, particularly of workfare, on employment and poverty, you have to look at all single mothers, not just those that exit off TANF, because the ones that never got on are very important. That's why, when you look at the whole population of single mothers, in stark contrast to the leaver studies, you show this dramatic spike up in employment, from about 55 percent employed to over 75 percent employed today, exactly coinciding with welfare reform, and a concomitant huge drop in poverty. That's why the child poverty rate of children in single-parent families is the lowest point ever in our history, and you won't get that just by looking at the leavers.

Mr. ENGLISH. I have a question about the charts you displayed, which are, granted, impressive looking. But it seems to me that they deal with aggregate numbers and we are dealing with nationally, really 50 different experiments and welfare reform.

Do you see any differences in the approaches in States to welfare reform with differing levels of welfare dependence and the decline of welfare dependence? Can you extrapolate from those differences what kinds of approaches at the State level work and which ones don't?

Mr. RECTOR. Absolutely. We did a study a few years ago looking at the 50 different States, looking at the intensity of the workfare programs in those States, and looking at the economic factors in those States, and seeing their explanatory value in determining welfare caseload decline. The results of that are actually shown in the final table in my written testimony.

But what we found was that—as you know, you have huge differences in the rate of caseload decline between the States, with Hawaii, where the caseload actually goes up, and Wisconsin and Wyoming and some of the others, where it is going down dramatically. If the dependency reduction was largely due to economics, then you would tend to find that that would be correlated with economic variables at the State level, the unemployment rate, the job growth rate. We found absolutely no correlation whatsoever, zero correlation, between State economic factors and the rate of caseload decline.

On the other hand, the workfare factors, the strength and rigor of the workfare system, which is rather complex, but I think we measured it reasonably well, overwhelmingly explained this variation in caseload decline. We found that the States that had rigorous workfare systems over an 18-month period had a 50 percent drop in caseload; those that had weak workfare systems had a drop in caseload of about 14 percent.

For the future, this is very important, because the remaining TANF caseload, because of the ineffectiveness of their program, is now clustering up in those States that have very weak workfare programs, specifically New York and California. As it goes down in the other States, all the remaining caseload is remaining in the States that really have not embraced workfare.

We also find, although the correlation is not nearly as strong, those States that had the stronger workfare programs had the greatest drops in child poverty. Wisconsin is a beautiful example. Wisconsin——

Mr. ENGLISH. I was going to ask that.

Mr. RECTOR. Yeah. Wisconsin is the only State that really has a universal workfare requirement. For the caseload where there are adults present, it has dropped 90 percent, and the child poverty rate, when you measure it with the addition of EITC and things like that, which you should, has roughly been cut in half and is now among the lowest child poverty rates in the country. It is very difficult to find the dark side of this picture, although I'm sure the opponents of reform will try.

What we need to do is go on and insist that the other States that have not fully embraced work requirements have the sort of system that Wisconsin has on work.

Mr. ENGLISH. I'm out of time, but I have a lot more questions. Thank you, Mr. Chairman.

Chairman HERGER. Thank you very much, Mr. English.

The gentleman from Michigan, Mr. Levin, will inquire.

Mr. LEVIN. First of all, Mr. Rector, I'm not sure it's very useful to fight last decades' battles. I mean, we had differing views in our institution about welfare reform. The President, who favored it, vetoed a couple of bills because they did not have adequate child care and health care. And he was right. It had some other problems with it, but despite that, he signed it and a number of us voted for it.

What bothers me is those who either are fighting the battles of the past, for reasons I don't always understand, or I think are trying to draw lessons for the future that aren't based in reality, that's why I think it's useful to get your testimony and Mr. Greenberg's. I have read Mr. Greenberg's material and I congratulate you on trying to paint both the pluses and the minuses and acknowledging the pluses.

There is no doubt that the caseload has gone down. There is no doubt that welfare reform played a substantial role. If we hadn't had economic prosperity, I don't think anybody would deny those caseloads would not be where they are today. I think to endlessly argue as to which is the major factor may not be very productive, especially today, when we face the possibility, according to the President, of economic difficulties.

But, you know, Mr. Rector, I was glad you kept going, because I think, in the end, you tipped off where you're going. We don't have a verbatim record, but I did write it down, I think accurately. You said, "If one's interested in child poverty, marriage is the way to go after it."

Now, I'm all in favor of promoting marriage. I'm all in favor of governors speaking out. But the notion that we're going to get at child poverty, we're going to get at the problems of people moving from welfare to work and still being in poverty by the single symbol or flag of marriage, is unsustainable. You said, if you're interested in child poverty, marriage is the way to go after it.

I think there are lots of ways to go after it, including getting health care for kids, including making sure they are not hungry, making sure they have a decent education opportunity, so when they go to a high school like the one I went to many decades ago, the roof doesn't leak and there aren't any clocks in the hallways and the holders which once held clocks which tell kids we don't care about you, the lessons you draw for the future—I mean, is marriage the way to go after child poverty? The way? Nothing else matters?

Mr. RECTOR. Marriage is the most important thing, as I think, maybe in a less contentious atmosphere, we would actually agree with that. Basically, about 75 to 85 percent of the child poverty that exists in the United States today is in some form of never married or broken type of family. That's——

Mr. LEVIN. Look, I agree with that. I agree. But we are not going to force people to marry.

Mr. RECTOR. I didn't mean to say it's the exclusive way. I do think it's the most important way.

Mr. LEVIN. You said it's "the" way. I mean, we don't have programs to force people to marry.

Mr. RECTOR. We have programs that severely penalize them when they do through the welfare system. I think those should be corrected.

Mr. LEVIN. What are the programs today that penalize people?

Mr. RECTOR. All means-tested benefit programs penalize marriage in the following way, Congressman. If you have a young woman, for example, who is on welfare and she has the father of the child that is making, say, $14,000 or $15,000 a year; as long as the two of them are not married, then his income is not counted toward her welfare eligibility. If they do get married, his income is counted toward her eligibility and her benefits, in a whole range of programs—public housing, food stamps, Medicaid, TANF, WIC—and everything will be significantly reduced. That is a huge marriage penalty. It's much more significant than the marriage penalty of the Tax Code.

Mr. LEVIN. Mr. Greenberg, do you want to—I mean, when you say that, I wonder what the policy implications are and whether we're willing to act on what you call a policy detriment.

Mr. Greenberg.

Mr. GREENBERG. Thank you.

Under the TANF structure, it is up to each State to decide how it wants to count income, and who should be included in the family when there's an application for assistance. So when a mother and father are living together, in the TANF structure, whether they are married or not, the State is free to treat their income exactly the same, whether the family is co-habiting or married. That's left up to each State.

In the Food Stamp Program, the question that matters in determining eligibility and benefits isn't whether they're married or not; it's whether they're purchasing and preparing food together. So for people who are living together, there is not a penalty for getting married.

I do agree that it's important to be sure that benefits programs don't have the effect of penalizing families for getting married and don't have the effect of penalizing two-parent families.

One of the things that the great majority of States have done as they implemented TANF is they got rid of the old restrictions that used to exist in the old welfare program that made it difficult or sometimes impossible for two-parent families to receive assistance. They have been able to do that because of the flexibility they've had in the structure.

Mr. LEVIN. I think, Mr. Rector, we can reach agreement on that. If we're willing to provide adequate Medicaid and adequate food stamps and have adequate realistic levels of poverty, we'll reach agreement on that. But all I'm suggesting is we have to do those things.

I'm in favor of encouraging marriage, but to assume that the way out of child poverty is marriage—I understand getting kids health care, food stamps, decent education. We can do those things in this country. We haven't yet found a magic way to bring about marriage. That is true across this country, across all kinds of lines, if you look in my district, any district. So don't put your chips on an approach that I think will continue to leave millions and millions of kids in poverty in this country.

My time is up.

Chairman HERGER. Thank you very much, Mr. Levin.

I want to thank each of those who serve on our Subcommittee. I particularly want to thank our panelists for your testimony today.

Also, we may have several more questions that we may want to submit to you for the record that we would appreciate your cooperation with.

Again, thank you very much, each of you, who have participated. Beginning this year and leading into next year, we want to examine a program just about all of us believe is a good program, to see how we can make it even better. So, again, I thank each of you for your time and cooperation.

This hearing will stand adjourned.

[Questions submitted from Chairman Herger to the panel, and their responses follow:]

CENTER FOR LAW AND SOCIAL POLICY
Washington, DC 20036
April 9, 2001.

Rep. WALLY HERGER
Chairman, Subcommittee on Human Resources
House Ways and Means Committee
Rayburn House Office Building
B–317, Rayburn
Washington, DC 20515

DEAR REP. HERGER:

Thank you again for inviting me to testify at the March 15 Subcommittee hearing. I am writing to respond to the additional questions provided to me after the hearing. I would be happy to supplement any of these responses if you would like to receive additional detail. My responses follow the sequence of your questions.

1. Many critics of welfare reform feared that there would be a "race to the bottom" as States, given fixed funding and more flexibility, would shred their programs in the interest of saving money. Has this occurred?

In 1996, much of the concern about a race to the bottom flowed from apprehensions about how states would respond to a funding shortfall. States have never faced a funding shortfall in the current structure, and state responses could be very different if states had less funding. I do not think there has been a "race to the bottom" in the sense of sharp cuts in benefits and eligibility; however, states have sometimes competed to reduce their caseloads, and have sometimes used practices that have denied, terminated or restricted assistance to needy families in efforts to do so.

When the 1996 law was pending before Congress, many people feared how states would respond if they faced a situation in which federal funds were insufficient to provide assistance to eligible families. Caseloads had been rising rapidly during the early 1990s, and the law proposed to fix Federal funding through 2002 at approximately 1994–95 spending levels, while permitting states to reduce state spending to 75% or 80% of their 1994 spending levels. Thus, the concern was that if the law simultaneously froze Federal funding, allowed states to withdraw state funds, and eliminated the duty to provide assistance to eligible families, it seemed very foreseeable that if caseloads began to approach or exceed available funding, states would cut back eligibility rather than increase unmatched state spending.

The actual experience has been quite different, possibly because we have never faced a time in which block grant funding levels have been insufficient to provide assistance to eligible families. Although this was not generally recognized at the time the law passed, the nation's caseload had begun declining in early 1994. Therefore, for most states, the provision of block grants in 1996 based on earlier-year funding resulted in an increase in Federal funding. As noted in my testimony, the GAO calculated that if all states had participated in TANF for the full year in 1997 and had met applicable maintenance of effort requirements, they would have had an additional $4.7 billion in Federal funds above what they would have received under the prior funding formula. This margin continued to grow in subsequent years as caseloads continued to fall. As a result, we have never seen how states would respond if they were faced with a situation in which funding was insufficient to provide assistance to eligible families. I think this is an important cautionary note for next year when Congress considers future block grant funding levels.

More generally, it is certainly true that most states have not reduced basic benefit levels (though most state benefit levels have not kept pace with inflation despite states having much smaller caseloads, a strongly work-focused system, and additional available resources.) It is also true that the principal new eligibility restrictions that states have imposed have been ones expressly required or encouraged in the Federal law, e.g., time limits, restrictions on assistance to legal immigrants.

At the same time, the concern about a "race to the bottom," was not just about formal eligibility rules; rather, it was a fear that states seeking to manage within block grant funding levels would deny or terminate assistance for needy families in efforts to reduce caseloads as rapidly as possible. As discussed in my testimony, much of the caseload decline is clearly attributable to employment, but a substantial share is also attributable to sanctions and other practices that deny or terminate assistance for failing to meet program and administrative requirements. The frequency of such practices increased dramatically after enactment of TANF. I continue to be concerned that the strong Federal signal encouraging caseload reduction has not been accompanied by a comparably strong signal emphasizing the need to actively work with all families to promote employment, and that in the current structure, states are rewarded for caseload reduction whether or not it is attributable to employment or to decreased need.

2. I note your concerns about the poverty rates for families leaving welfare, especially for those who are sanctioned for failing to work. That is an important point to consider, but we also need to look at the importance of sending a strong message about work. Can we send that strong message without imposing sanctions on families who fail or refuse to work?

I agree that it is important to send a strong message about work. However, there is evidence that current sanction practices often result in termination of assistance to families with serious barriers to employment. In TANF reauthorization, I hope the Subcommittee will consider modifying the law governing sanctions to emphasize the importance of states actively working to promote participation among families with serious employment barriers.

First, the problem of poverty rates for families leaving welfare is not just or even principally a problem of sanctioned families. It is certainly the case, though, that poverty rates are much higher for families in which the parent or parents are not employed.[25] However, in the state studies in Washington and Missouri, most families (58%) were poor after leaving assistance, even though most families were working.[26] And, in a longitudinal study of families leaving welfare in Wisconsin, the researchers compared the combination of earnings, cash assistance, Food Stamps, and Earned Income Tax Credit to the Federal poverty line, and reported poverty rates of 63% in the first year, 61% in the second year, and 59% in the third year for 1995 leavers.[27] These high and persistent poverty rates underscore the need to help ensure that families entering employment are linked with work supports—child care, health care, Food Stamps, child support, and the EITC. In addition, they suggest the importance of continued attention to employment retention and advancement initiatives and the need to address job quality in employment placements.

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[25] For example, a study examining circumstances of New Jersey leavers reported poverty rates of 29% for leavers who were off TANF and employed and 82% for leavers who had left TANF and were not employed. Rangarajan and Wood, How WFNJ Clients Are Fairing Under Welfare Reform: An Early Look (Mathematica Policy Research, 1999), available at http://www.mathematica-mpr.com/PDFs/wfnj.pdf. A Utah study found that 32% of those who left assistance due to increased income were poor, compared to 73% of those who left due to time limits and 58% of those who left for "other" reasons. Vogel, Taylor and Barusch, Multiple Impacts of Welfare Reform in Utah: Experiences of Former Long-Term Welfare Recipients, (Graduate School of Social Work, University of Utah, June 2000) available at http://www.socwk.utah.edu/

[26] Du, Fogarty, Hops, and Hu, A Study of Washington State Leavers and TANF Recipients—Findings from the April–June 1999 Telephone Survey Final Report, (Office of Planning and Research, Economic Services Administration & Department of Social and Health Services, March 2000); available at http://www.wa.gov/WORKFIRST/about/Exit3Report.pdf. The relevant portion of Missouri's study, by the Midwest Research Institute, is available at http://www2.kclinc.org/downloads/MRIChapter2.pdf.

Looking specifically at sanctioned families, only a limited number of state studies examine their circumstances. The consistent finding from those studies is that sanctioned families are less likely to have graduated high school, less likely to have recent work history, more likely to report health or mental health problems. Families terminated due to sanction consistently display poorer outcomes than families terminated for other reasons. They are less likely to be employed after leaving assistance, and if employed, likely to have lower earnings than other leavers.[28] And, a recent study finds that most sanctions and case reductions or closures for noncompliance are due to missing appointments or not filing paperwork, rather than for refusing to work or not showing up for work.[29]

I appreciate that the goal of sanction policy is often to communicate the importance of work and "get the attention" of families. However, these findings suggest that for families with very severe barriers to employment, merely imposing sanctions for noncompliance is not a sufficient strategy. Rather, if the hope is to actively engage these families and to link them with appropriate services, states need to make stronger efforts to assess circumstances, identify the reasons for nonparticipation before imposing sanctions and make active efforts to reach out to families after they have been sanctioned. Such practices would not diminish the importance of a focus on work, and could result in greater participation in work-related activities by those families with the most serious barriers to employment.

3. What do recipients themselves say about welfare reform, including those who have left welfare?

While there has been much research concerning the 1996 law, I think that too little of it has directly sought to gather information about the perspectives of the families seeking or receiving assistance. I would urge the Subcommittee to consider using field hearings and other approaches to gain further insight into the perspectives of affected families during the course of this year.

A number of studies have asked questions about well-being and hardship since leaving welfare. However, typically, these studies have not asked families which services they received while receiving assistance or their opinions about which services were or could have been most helpful. Generally, the picture that emerges from these studies is that most leavers state they are "better off" since leaving assistance, with employed leavers more likely to agree they are better off. However, a group of leavers indicate that their situations are worse since leaving assistance. Moreover, leavers often report a range of hardships that is disturbingly high.

As to overall well-being, in a recent South Carolina leavers' study, 20% agreed with the statement "Life was better when you were getting welfare;" 80% disagreed. Among those working, only 11% agreed; 34.5% of those not working agreed.[30] In an Arizona study, 68% of leavers reported being better off; 15% reported being worse off.[31]

In a Florida study, 51% reported being better off; 18% reported being worse off; 32% said they would go back on WAGES [the state's TANF Program] if they could.[32] In Utah, 52% of those who left due to increased income said life was better since cash assistance closed (18% saying worse), while only 21% of those who left due to time limits said life was better (49% worse) and 35% of those who left due to other reasons said life was better (38% worse.)[33]

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[27] Cancian, Haveman, Meyer, and Wolfe, Before and After TANF: The Economic Well-Being of Women Leaving Welfare (Institute for Research on Poverty, May 2000) available at http://www.ssc.wisc.edu/irp/sr/sr77.pdf.

[28] A number of these studies are summarized in Goldberg and Schott, A Compliance-Oriented Approach to Sanctions in State and County TANF Programs (Center on Budget and Policy Priorities, October 2000), available at http://www.cbpp.org/10–1-00sliip.pdf.

[29] Cherlin, et al., Sanctions and Case Closings for Noncompliance: Who is Affected and Why (Policy Brief 01–1, Welfare, Children and Families Study, Johns Hopkins University), available at http://www.jhu.edu/welfare/18058_Welfare_Policy_Brief.pdf. According to respondents, the most common reasons for reduction or termination of assistance were missing an appointment (32%) and not filing paperwork (21%). In 12% of cases, the basis was not complying with work-related rules.

[30] Richardson, Schoenfield, LaFever, Larsh, Tecco, & Reniero, Welfare Leavers and Diverters Research Study—One-Year Follow-Up of Welfare Leavers—Final Report (Maximus, March 2001).

[31] Westra & Routley, Arizona Cash Assistant Exit Study—First Quarter 1998 Cohort Final Report. (Arizona Department of Economic Security Office of Evaluation, January 2000).

[32] Crew & Eyerman, After Leaving WAGES (Florida State University, 1999).

While leavers often indicate that life is generally better, they also report significant levels of continuing hardships. Studies tend to ask these questions in different ways, making it somewhat difficult to combine responses. Nevertheless, in the tables below, we present the extent of certain hardships reported in some of the recent leavers' studies. (We have combined responses to similarly-phrased questions for the sake of brevity.) The first table presents housing-related hardships leavers experienced after exiting welfare programs. The numbers seem to indicate that around one-tenth of all leavers have been evicted since departing the rolls, more have suffered a loss of utilities, and still more—up to one-third—have lost their telephone service. And, these figures may under-report the true prevalence of these hardships, since those who have been evicted or had their phone service terminated are presumably harder to contact.

	Evicted/forced to move (in percent)	Utilities (heat/gas/electric) turned off (in percent)	Telephone turned off (in percent)
Arizona	17.0	12.0	—
Colorado	10.5	14.4	27.5
District of Columbia	5.7	5.8	—
Florida	20.2	26.8	38.3
Minnesota (working leavers only)	....	13.0	17.0
New Mexico	10.9	10.0	—
Cuyahoga County, Ohio	5.0	15.0	—
South Carolina	12.1	11.4	34.9
Utah	7.0	10.0	23.0
Washington	7.0	12.0	—
Wisconsin	12.0	10.0	27.0

The second table presents food- and medical-related hardships. Although prevalence varies most of the studies indicate a rather high occurrence of difficulty in obtaining or having enough food or medical care.

	Received food from shelter or food bank (in percent)	Hungry/not enough to eat/skipped meals (in percent)	Difficulty affording food/no way to buy food (in percent)	Went without medical care (in percent)
Arizona	21.0	24.0	—	24.0
Connecticut	11.5	14.8	—	—
Colorado	30.8	—	58.5	—
Florida	—	—	42.6	—
Minnesota (working leavers only)	—	11.0	—	28.0
New Mexico	—	—	25.2	18.5
Cuyahoga County, Ohio	—	28.0	—	—
South Carolina	—	—	12.6	9.5

Fewer studies seek direct information about families' opinions concerning the assistance they received while participating in TANF. In studies that have sought this information, opinions among families seem divided. In Wisconsin, 60% of leavers agreed with the statement "Welfare more about rules and red tape than helping" (38% disagreed); 49% agreed that "Welfare wants to get rid of people, not help (46% disagreed); 67% agreed that they had been "treated with perfect fairness by caseworker (32% disagreed)[34] In South Carolina, 46% agreed that the welfare program was more about rules and red tape than about helping people (54% disagreed); 32% agreed the welfare program wants to get rid of people, not help them (68% disagreed); 83% agreed that their caseworker treated them with perfect fairness (17% disagreed).[35] In Mississippi, 55–60% reported that the agency had treated them fairly and attempted to help them; the remaining 40–45% did not feel they had been treated fairly.[36]

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[33] Vogel, Taylor and Barusch, *supra*.

[34] Survey of Those Leaving AFDC or W–2. January to March 1998 Preliminary Report (State of Wisconsin, Department of Work force Development, January 13, 1999).

[35] Survey of Former Family Independence Program Clients: Cases Closed During January through March 1998 (South Carolina Department of Social Services, Division of Program Quality Assurance, June 1999).

A new report, based on telephone surveys with single mothers in Milwaukee, reported that most (59%) considered W–2 an improvement on AFDC, but that most (62.5%) thought there were problems with the present system. The most commonly identified problems were "don't provide adequate training; money received is not adequate for support; program is unorganized/hassle to go through; staff is rude/uncaring; services are too slow; staff is unorganized/not helpful." The most frequent recommendations were to provide more/better training and to be more individualized to each case.[37]

One recent report provides information about the opinions of families who had applied for assistance. The report was based on 1512 surveys of current and former recipients conducted by community groups in fourteen sites. While there were substantial variations between sites, some of the findings included: 53% of applicants stated that they had experienced rudeness during the application process; 42% reported needing to make three or more visits to get their application approved; 49% reported waiting 30 or more days before starting to receive benefits; and only 39% reported having been told of fair hearing rights.[38]

In short, families who have left assistance are likely to report that they are better off, particularly if they are working, though hardship levels are significant for many welfare leavers. In studies that seek information about the experience of receiving assistance, there are indications of difficulties, and I hope the Subcommittee can look more closely at these concerns.

4. In your testimony, you note that TANF implementation has been far more than work requirements and time limits—it has also involved additional resources and an array of new and expanded supports to help families enter and maintain employment. Do you think this would have happened if TANF had not been enacted? Why or why not?

I think that because of the block grant structure and the decline in welfare caseloads, state spending on a set of supports has probably been higher than it would have been had there been no change in federal law. However, there was broad agreement in the mid-1990s about the need to change Federal law to move to a work-based welfare system, and many (though not all) of those advocating change were urging an increase in federal funding to support the shift. It certainly would have been possible to increase the availability of Federal funds for states without implementing a block grant structure or eliminating many of the protections and safeguards for families that existed in prior law. I do think, though that the fact that Federal and state funding has remained essentially constant as state caseloads have declined has played an important role in increasing the resources available for state efforts to promote work and support low income working families.

5. Taking a look at some of the figures in your testimony, you state that earnings for working adults receiving assistance averaged $597.97 per month in FY 99. You also reference a study funded by HHS that found the median earnings for the first full quarter after leaving welfare were $842 a month. Although these are low, they are still higher than the U.S. average amount of TANF cash assistance in FY 99, which was $357.27 per month. Please comment.

The clear picture emerging from data about current recipients and families leaving welfare is that they are most frequently entering into jobs with low earnings. The earnings are typically higher than the basic TANF grant. So, if families were simply entering employment and losing a cash assistance grant, they would usually have higher cash income (particularly if they began to receive the EITC.) There are three factors, though, that complicate the picture: loss of Food Stamps, loss of Medicaid, and uneven receipt of child care.

First, families leaving assistance often stop receiving food stamps. The National Survey of America's Families, the nationally representative study conducted by the Urban Institute, has reported that in 1997, only 47% of those families who had left assistance in the last six months were receiving food stamps,[39] even though about ⅔ of leavers seemed to still meet income eligibility guidelines for the Food Stamp Program.[40]

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[36] Beeler, Brister, Chambry and McDonald, Tracking of TANF Clients: First Report of a Longitudinal Study. Mississippi's Temporary Assistance for Needy Families Program (Center for Applied Research, Else School of Management, Millsaps College under contract with the Mississippi Department of Human Services. (December 15, 1998—revised January 28, 1999).

[37] S & R Piper Family Foundation, Single Mother Needs Assessment Study Phase II Telephone Interviews (Dieringer Research Group, Inc., October 2000), available at http://www.pieperline.com/pf/Surveys/smnas/SMNAS.PDF.

[38] Gordon, Cruel and Unusual: How Welfare "Reform" Punishes Poor People, (Applied Research Center, 2001), available at http://www.arc.org/downloads/arc010201.pdf.

Second, families leaving assistance often stop receiving Medicaid. According to the NSAF's data, only 55% of children and 52% of adults who had left assistance within the last 6 months were continuing to receive Medicaid in 1997.[41] In more recent data, the picture for children looks somewhat better, but there is still a drop in children's receipt of Medicaid and a larger drop in adult receipt. This drop in receipt is particularly troubling because typically, employed leavers are not receiving employer-provided health care coverage at their jobs. Thus, leaving assistance results in a decline in heath care coverage.

Third, whether a family has more disposable income after going to work also depends on the family's work expenses. One of the most significant work expenses can be child care. Not all working families have child care expenses, but for those with expenses, the cost of child care can represent a substantial part of family income. Thus, it is troubling to see that only about 25–30% of working leavers are receiving child care assistance.[42]

In pointing to these concerns, I want to emphasize that (as noted above) there is much reason to believe that most of the families that have entered employment are glad that they have done so and much prefer to be working. At the same time, if a national policy goal is to ensure that entering employment translates to improved economic well-being, it is important to find ways to improve the operation of the system of work supports.

Further, the problems described above are not unique to welfare leavers. Participation in Medicaid, Food Stamps, and child care by low-income working families who have not recently left welfare appears to be even lower than the participation by welfare leavers. Thus, this suggests a broader issue about the need to improve the accessibility of benefits for low-income working families.

6. You describe (page 9) how "almost all states are funding teen pregnancy prevention initiatives using TANF funds, and TANF funding has made it possible for States to create or expand after-school programs, pregnancy prevention programs, stay-in-school programs, and an array of youth development initiatives aimed at reducing teen pregnancies and promoting stronger outcomes for low-income teens."

a. What are the effects of the teen pregnancy prevention initiatives States are running?

While it is possible that some teen pregnancy prevention initiatives funded through TANF are being evaluated, the law has no general requirement that these initiatives be evaluated. According to a survey by the American Public Human Services Association, "State Teen Pregnancy Prevention and Abstinence Education Efforts: Survey Results on the Use of TANF and Title V Funds" published in July 1999, available at http://www.aphsa.org/publicat/teenpreg.pdf, thirteen states reported that they were using funds to develop and implement evaluation methods for statewide and local abstinence and/or teen pregnancy prevention/out-of-wedlock birth programs.

While initiatives that are supported by TANF may or may not have been evaluated, a number of teen pregnancy prevention interventions (not necessarily TANF funded) have been subject to evaluation in recent years. A synthesis of key findings was published by The National Campaign to Prevent Teen Pregnancy, entitled "No Easy Answers: Research Findings on Programs to Reduce Teen Pregnancy" in March 1997; the summary is available at http://www.teenpregnancy.org/fmnoeasy.htm. An updated review, "Emerging Answers" will be published shortly.

b. While it is possible for States to run all sorts of teen pregnancy prevention programs using TANF money, how many actually are doing so?

According to the APHSA survey, "State Teen Pregnancy Prevention and Abstinence Efforts" published in July 1999, forty-six states responded that they fund teen pregnancy/out of wedlock initiatives using TANF or MOE (some of these efforts may reach non-teens). Brief descriptions of some of these pregnancy prevention initiatives are available from APHSA. In addition, CLASP's "Tapping TANF: When and How Welfare Funds Can Support Reproductive Health or Teen Parent Initiatives," available at http://www.clasp.org/pubs/TANF/6-517tappingtanf.PDF, also describes a number of state initiatives.

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[39] Loprest, Families Who Left Welfare: Who Are They and How Are They Doing?, Assessing the New Federalism Discussion Paper 99–02 (1999), available at http://newfederalism.urban.org/pdf/discussion99–02.pdf.

[40] *See* Zedlewski and Brauner, Declines in Food Stamp and Welfare Participation: Is there a Connection?, Assessing the New Federalism Discussion Paper 99–13 (October 1999), available at http://newfederalism.urban.org/pdf/discussion99–13.pdf.

[41] Loprest, supra.

[42] Schumacher and Greenberg, Child Care After Leaving Welfare: Early Evidence from State Studies (Center for Law and Social Policy, October 1999), available at http://www.clasp.org/pubs/childcare/Child%20Care%20after%20Leaving%20Welfare.PDF.

c. What have been some of the results of the Minnesota Family Investment Program in promoting two-parent families?

The evaluation of the Minnesota Family Investment Program (MFIP) found that a welfare reform initiative that broadened eligibility for two parent families and provided increased assistance when families entered employment was associated with an increased likelihood that single parents would marry and that two parent families would stay together.[43]

MFIP had a number of notable features: the program eliminated restrictions on eligibility for two parent families; offered an enhanced earnings disregard for families entering employment; imposed work-related requirements after 24 months for single-parent families and after 6 months for two parent families, with a 10% grant reduction for noncompliance; did not impose a time limit on benefits; consolidated cash assistance, family general assistance and food stamps into a single program. The program was evaluated using a random assignment design, with a control group subject to the old AFDC rules.

Over a 3-year period, for long-term single parent family recipients, the program was associated with increased employment and earnings, increased receipt of assistance; increased total earnings, and an increase in the share of families with income above the poverty line. At the end of 3 years, the share of single-parent long-term recipients who were married and living with a spouse was 10.6%, versus 7% for the control group, reflecting a 51.4% increase. The evaluation also found a decrease in the likelihood that the mother had been a victim of domestic abuse over the three-year period.[44]

Often, when a program is evaluated using a random assignment design, it is difficult to determine which components of the program structure were most significant in affecting the program. In this case, the program design allowed evaluators to determine the independent effect of the incentive rules apart from the program's work mandate. The evaluators concluded that "MFIP's incentives and benefit rules rather than the participation mandates were largely responsible for the increase in marriage rates."

For two-parent families, there was no increase in employment, and family earnings actually declined; evaluators concluded that the program's primary effect was to cause one parent in some families to cut back on work, either by reducing hours or leaving work entirely. However, because two-parent MFIP families were more likely to receive assistance, their total income from earnings and assistance was somewhat higher than that of the control group, and the share with income above the poverty line was higher.

At the end of 3 years, the share of the original MFIP two-parent family group in which parents were married and living together was 67.3%, as compared to 48.3% for the AFDC group, which translates to a 39.5% increase in the likelihood of being married and living with a spouse. The share cohabiting was less in the MFIP group (13.5% for MFIP versus 22.8% for AFDC) and the share divorced or separated was also less (8.9% for MFIP versus 21.5% for AFDC). The evaluators suggest that the program's less restrictive eligibility criteria for two parent families, increased benefits for working families, and greater family discretion in how to spend their resources may have all played a role in affecting the result.

The MFIP results are strikingly encouraging. At minimum, they suggest the need for active dissemination of the findings, further follow-up research, and for Congress to ensure that Federal law does not discourage states from implementing similar approaches. Under current law, states are not required to impose more stringent eligibility rules on two-parent families, though it is sometimes suggested that the very high two-parent participation rates have the effect of discouraging states from providing assistance to two-parent families in state TANF programs. Similarly, states are free to implement generous earnings disregard and work supplements for employed families, but if Federal TANF funds are used, such support counts against the Federal 5-year limit on use of Federal TANF funds to provide assistance. Accordingly, if Congress wants to make it easier for states to implement MFIP-like approaches, then it will be important to consider whether the higher participation rate for two-parent families is appropriate or desirable, and to consider whether states should be free to use Federal TANF funds to provide supports for working families without having those supports count against the Federal time limit.

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[43] Knox, Miller, and Gennetian, Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program (Manpower Demonstration Research Corporation, September 2000), http://www.mdrc.org/Reports2000/MFIP/MFIP–ExSum-Final.htm.

[44] The evaluation also reported a set of positive child outcomes. For children, the evaluation reported an increase in the likelihood that children had continuous health care coverage, an increase in use of formal child care arrangements, a reduction in reported problem behaviors, an increase in the level of school engagement and improvement in school performance.

CONCLUSION

Thank you for your consideration. I hope these responses are helpful to the Subcommittee.

Sincerely,

MARK GREENBERG
Senior Staff Attorney

HERITAGE FOUNDATION
Washington, DC 20002–4999

Question 1. I noted your suggestion that the TANF block grant should be cut by 10 percent, owing to the steep caseload decline since 1996 and even before then. It is worth noting that the TANF block grant has been fixed at $16.5 billion per year since 1996, without adjusting for inflation. That amounts to a real reduction of about 13 percent since 1996. So you are talking about an additional reduction compared with what we have already achieved in this program, correct?

The goal of welfare reform should not be to have an ever-greater number of persons on welfare. Nor should the goal be to give an ever greater array of benefits to those on welfare. Unfortunately, this has too often been the pattern in the past. After adjusting for inflation, the U.S. now spends 10 times as much on means-tested welfare as it did when the war on poverty began.

Since the onset of welfare reform the AFDC/TANF caseload has been cut in half. Given this decline in caseload, a cut in constant dollar spending of 13 percent seems modest. If work requirements are strengthened, the TANF caseload will continue to fall dramatically over the next 5 years. As caseload declines, a further reduction in TANF funding would be completely appropriate.

Question 1.A. Are you at all concerned that if TANF is reduced and States encounter problems with a slowing economy we might end up where we were on unemployment compensation in the 1980s and early 1990s, that is, in something of a bidding war to provide additional "emergency" benefits whenever the economy falters?

Many have expressed concern that the current or a reduced level of TANF funding will prove inadequate if TANF caseloads rise during a recession. There are six reasons why current or reduced TANF funding will be sufficient during a recession.

First, the present level of Federal TANF funding sustained over 5 million families during the AFDC caseload peak in 1994. Caseloads have now fallen nearly 60 percent from those peak levels. States are now spending roughly twice as much per family as they were a few years ago. If, during a recession, the current caseloads rose by a quarter, the nation would still have roughly half as many families on TANF as it did in 1994. But Federal funding remains about the same as in 1994, some $16.5 billion. Thus TANF funding will be more than adequate to cover costs even during a recessionary period, and can be reasonably reduced in future years.

Second, evidence from the last 50 years shows that, in general, economic conditions result in only modest changes in AFDC caseloads. In many instances, caseloads have risen during recessions, but these increases have generally been modest, 10 percent or less. Thus the expectation that a recession will produce huge increases in caseload is unsupported by the record.

Third, evidence suggests that work requirements have not only been effective in reducing caseloads since the mid-1990's, but they can also limit the growth of caseload during a recessionary period. For example, during the recession of the early 1990's the national AFDC caseload grew by 30 percent. However, in Wisconsin (an early pioneer of workfare) the caseload did not rise at all. The Wisconsin experience suggests that states with strong workfare programs will not experience substantial growth in caseload, even during a recession.

Fourth, many states have unspent and unobligated TANF surpluses, which can be expended if caseloads rise during a recession.

Fifth, nearly all states have reduced their state contributions to TANF to 80 or 75 percent of historic levels. If welfare costs rise during a recession, states should be required to raise their own spending back to historic levels before asking for added Federal funds.

Sixth, during the last 5 years, TANF caseload has fallen and the employment of single mothers increased. As this change occurred, states reduced spending on cash benefits and increased TANF funding for daycare. If, during a recession, this pattern is reversed (employment falling and caseload rising) states will be able to reverse the flow of TANF funds: reducing subsidies to daycare as employment drops and increasing funding for basic cash benefits. Just as the drop in TANF caseload automatically freed up funds which could be used for daycare, a drop in employment of single mothers will automatically reduce the need for daycare subsidies and free up funds to be used to pay for the benefit costs of rising caseloads.

Question 2. Please expand on some of your suggestions to promote marriage and reduce illegitimacy. Specifically, are there any programs that have been successful in these areas? What new efforts should be undertaken? What evidence is there that these new efforts would be successful?

Efforts to promote marriage and reduce illegitimacy should be preventative: they should seek to reduce out-of-wedlock births, to increase marriage before the birth of a child, and to reduce divorce. These programs should be pro-active; they should seek to keep Humpty Dumpty from falling off the wall rather than trying to glue him together after the fall. While current welfare and social service programs seek to deal with the consequences of single parenthood, pro-marriage programs would address the core problem by reducing the level of single-parent families and increased the number of married families.

Pro-marriage reforms must endeavor to restore the culture of marriage in at risk communities. They must seek: to instill an understanding of the value of marriage; to provide skills needed to sustain successful long term marital relations; and to reduce the disincentives to marriage implicit in most government welfare programs. Such pro-marriage efforts should include the following.

Marriage education programs—Marriage education programs should be provided in junior high and high schools in at risk communities. Such programs should teach the value of marriage to men, women, children and society at large. The programs could operate as adjuncts to existing abstinence education programs.

Public education ad campaigns—Public advertising campaigns should disseminate pro-marriage messages throughout the popular culture. Celebrities should be used to affirm: the linkage between marriage and personal happiness; the centrality of marriage in becoming a mature man or woman; and the harm which comes to children through the deterioration of marriage.

Marriage mentoring programs—A wide range of marriage mentoring programs should be established to provide non-married and married couples with the information and tools necessary to build and maintain strong marriages, including an understanding of the major reasons why relationships and marriages fall apart. The programs should seek to develop skills for handling conflict, dealing with change, and enhancing enjoyment and intimacy in the marital relationship. Such pro-marriage services should be offered in a variety of venues, such as churches, community centers, courts, maternity and childbirth clinics, health centers, welfare offices, and military bases. Particular emphasis should be placed on offering pro-marriage mentoring to low income couples who are at risk of bearing children out-of-wedlock. The programs should teach these vulnerable couples how to reduce conflict and to develop skills leading to long term marital commitment; they should also stress the importance of marriage to the well-being of children.

Pro-marriage counseling during pregnancy—The government currently pays for the medical costs of 85 percent of all out-of-wedlock births through the Medicaid program. Medicaid's role means that the government is in contact and involved with most unwed mothers-to-be during their pregnancy. In nearly half these cases, the expectant mother will actually be cohabiting with the father during pregnancy. Yet despite this obvious opportunity, the government never affirms the value of marriage to these fragile young couples, let alone facilitates their marital union. Such indifference to marriage must be overturned, pro-marriage counseling should be offered to all pregnant women and unmarried mothers receiving Medicaid services. Couples expressing an interest in marriage should be channeled to community-based mentoring groups.

Community-wide marriage policies programs—The centerpiece of this policy is the establishment of Community Marriage Covenants in which all—or most—churches within a community agree to move beyond offering pro-forma wedding ceremonies and begin to offer services which will allow couples to flourish in lifelong marital commitment. The churches agree to conduct mandatory marriage preparation programs for couples seeking to marry; such preparation programs can identify and resolve potential problems in relationships before the marriage begins. The churches also assist couples in troubled marriages to avoid divorce through the support of other couples who have faced and overcome similar marital difficulties. A well-executed Community Marriage Covenant project appears to save up to 80 percent of marriages headed toward divorce, and to reconcile more than half of separated couples.

Divorce education—Many couples have an illusory view of divorce as a cost-free escape from their current problems. Divorce education can help couples resolve problems and save their marriage. In particular, requiring a co-partnering plan as part of divorce education enables the couple to develop a more realistic picture of what life will be like after divorce and can serve as an impetus for the couple to make renewed efforts to save their current marriage.

The welfare reform act 1996 set the national goal of reducing illegitimacy and increasing marriage. The last 5 years should have been a period of experimentation in the types of marriage programs outlined above. Unfortunately, this experimentation has not occurred. Therefore no evidence on the effectiveness or limitations of such programs is available. On the other, there is a growing body of evidence on the effectiveness of abstinence education and divorce reduction programs. It is fairly certain that pro-marriage programs when they begin to be implemented they will also show similar strong levels of effectiveness.

Question 3. Please describe for us the range of benefits and work supports outside of TANF that help recipients find and keep jobs. I'm thinking here of Federal and State programs like Food Stamps, Medicaid and other health coverage, housing, job training and education, child care, child support, transportation, and cash supplements like the Earned Income Credit (EIC).

The Federal government operates over seventy major means-tested welfare programs aiding poor and low income individuals. These programs include cash aid, food, housing, medical care, training, education, social services, and community development. While daycare subsidies do help single mothers maintain employment, most other welfare programs reward and encourage non-work.

For nearly three decades the government tinkered with various incentives and services to encourage (but not require) employment of welfare mothers. These "work support" programs were a complete failure. For example, job training is intended to raise the hourly wage rates of trainees but has proved largely ineffectual. If the goal is to reduce dependence and increase employment then one principle is key: welfare recipients must be required to take jobs, perform community service or undertake other constructive activity as a condition of getting aid. This rule alone is effective in limiting dependence and increasing employment.

Question 3.A. Approximately how much do Federal and State taxpayers spend on these programs? How does that compare with spending prior to welfare reform?

Total means-tested welfare spending by Federal and State governments was $434 billion in FY 2000. This was a record high. Total welfare spending has grown from $375 billion in 1996 to present levels, an increase of 16 percent. Overall cash, food, and housing aid has grown at a rate equal to inflation since 1996, while medical aid has grown more rapidly than inflation.

Greater detail in means-tested welfare spending is shown in the table below.

TOTAL WELFARE SPENDING FY 2000

[In billions of dollars]

	Federal spending	State spending	Total spending	Percent of total spending
Cash	77.8	22.78	100.58	23.2
Food	34.71	1.34	36.05	8.3
Housing and Energy	28.26	2.12	30.38	7
Medical	130.81	90.79	221.6	51
Education	22.46	1.34	23.8	5.5
Training	5.79	0.07	5.85	1.3
Services	7.74	2.93	10.67	2.5
Community Aid	5.41	0	5.41	1.2
Total	312.95	121.38	434.34	100

Note: Some Numbers may not add due to rounding.

Source: Office of Management and Budget, Budget of the U.S. Government, Fiscal Year 2000, appendix. State outlay calculated based on legally required and historic ratios from Congressional Research Service publications.

Question 3.B. Have other benefits been conditioned on work like TANF? I know this falls outside our jurisdiction, but should all or some of those other programs be similarly conditioned on work?

Modest work requirements currently exist for able-bodied parents on food stamps. An important next step in reform would be to establish strong work requirements for all able-bodied non-elderly adults receiving food stamps or housing aid.

Question 4. Mark Greenberg talks in his testimony (page 8) about "a basic picture of unmet need" when it comes to funding for child care for those who leave welfare. Do you agree? How much are we spending on child care today compared with before 1996?

For nearly three decades liberal experts have claimed that welfare dependence could not be reduced because of "barriers to employment": lack of daycare, lack of jobs, lack of skills, and lack of transportation. The experience of welfare reform shows these claims to be utterly incorrect. Similarly, it has long been shown that employed mothers use a wide variety of informal child care, both paid and unpaid. Liberal experts use informal care as evidence of "unmet need" but there is no real evidence to back their claim. The present level of daycare funding seems more than sufficient. Moreover, as TANF caseloads fall in the future, more TANF funds will become available for daycare.

ROBERT RECTOR
Senior Policy Analyst

[Whereupon, at 12:50 p.m., the hearing was adjourned.]
[Submissions for the record follow:]

Statement of Geraldine Jensen, President, Association for Children for Enforcement of Support, Inc. (ACES), Sacramento, California

ACES has 45,000 members and 400 chapters located in 48 states. We are representative of the families whose 20 million children are owed $71 billion in unpaid child support. We have banded together to work for effective and fair child support enforcement. Most families affected by welfare reform are entitled to child support payments. ACES has been monitoring State IV–D Child Support Agencies to determine if they are assisting families who leave the welfare rolls in collecting child support.

STATES ARE FAILING TO DISTRIBUTE CHILD SUPPORT PAYMENTS TO FAMILIES LEAVING WELFARE ROLLS

- State government's new central payment systems are failing to properly distribute payments to families leaving the welfare rolls.
- States had $440 million[1] in undistributed child support payments at the end of 1999 (see Chart 1).

ACES has been monitoring the current child support enforcement system since 1984. In addition to obtaining information about the child support enforcement system for our members, ACES operates a national toll-free Hot Line for families with child support problems, issues, and questions. We receive up to 100,000 calls per year from parents throughout the U.S. From these calls and our members, we gather statistics and data on the status of the current child support enforcement system.

The average ACES member is a single-parent, and she has two children. About 50% of ACES members are divorced, and the other half were never married. Members average income is $14,000 per year as of the end of 1999, and 85% have, in the past, received some form of public assistance. At present, about 33% of our membership receives public assistance. ACES members report that collection of child support, when joined with available earned income, allows 88% to get off public assistance. Collection of child support enables our low-income working-poor members to stay in the job force long enough to gain promotions and better pay so that they can move their family out of poverty, and onto self-sufficiency. The collection of child support, when joined with earned income, means our members can pay their rent and utilities, buy food, pay for healthcare, and provide for their children's educational opportunities. Lack of child support most often means poverty and welfare dependency. At the very least, it means having to work two or three jobs to survive.

This leaves our children with literally no parent who spends time providing their children adequate nurturing, supervision, and the attention they need and deserve.

About 33% of our nation's children have a parent living outside the household. They are four times more likely to be poor and five times more likely to receive food stamps than children who live with two biological parents. Child support, when received, accounts for 16% of the family's income, and averages $3,795 per year. Child support is even more important for poor children where it represents 26% of the family's income.

FAMILIES REPORT PRWORA HAS NOT HELPED AND HAS HURT

ACES members have seen neither the synergy nor improvement in collections that is being touted by federal and state government. In fact, in some states, the situation is even worse than it was pre-PRWORA. These states are having problems setting up State Disbursement Units. States have more undistributed funds on hand than ever before, $440 million. Undistributed funds are payments collected not sent to families due to problems identifying payee or payor, location of payee, or problems determining how to distribute it if the family was or is on public assistance. This means thousands of families leaving the welfare rolls are not receiving child support collected by the state. This undermines their self sufficiency efforts.

In February, 2001, ACES filed a Writ of Mandamus in State Appeals Court against the Ohio Department of Jobs and Family Services (ODJFS). ODJFS knowingly brought online a computer system in October 2000 that miscalculates distribution of child support payments owed families in order to avoid further late penalties from being assessed against the State under Federal Law. The net effect is to reduce monthly payments to families under terms mandated by the 1996 welfare reform law. In doing so, ODJFS put the interests of the State ahead of those of affected children. Legal action was taken only after negotiations with ODJFS failed to produce an acceptable plan for fixing the problem.

Our members in North Carolina report delayed and missing payments when the new State Disbursement Unit went into operation. Many have been unable to buy needed food, pay rent, or take care of their families because payments that had been processed by local Clerks of Courts are now lost in the state's new distribution computer system. North Carolina reports having more than $10 million in undistributed funds on hand. Reasons cited are that Clerk of Courts bundled checks, money orders, and cash brought in by non-resident parents and mailed it to Raleigh without identifying information attached, and employers did not use the new case numbers assigned to them for income-withholding cases. Each case was given a new number in the distribution unit system. The number was neither parent's social security number nor the court docket number. Rather than obtaining a list of names and addresses from employers for whom the payments have been sent, the money was returned to the employers.

In Illinois, ACES members report the same type of problem as in North Carolina. County Clerks of Courts mailed checks and money orders paid to them by non-resident parents to the state with no identifying social security numbers. Illinois has more than $6 million in unidentified funds on hand. Tennessee, Nevada, part of Pennsylvania, and Missouri are reporting similar problems. States chose to set up systems where all payments are sent to a central intake and then disbursed. This process has made it more difficult for parents to pay. The lack of adequate planning and testing has led to missing payments, long delays, and other problems for some of the poorest families in our nation. North Carolina made families pay back emergency aid checks out of the first child support check issued, after months of not receiving payments. This newest bureaucratic glitch has caused thousands of children to go to bed hungry.

In Florida, ACES members have received letters from the state telling them the computer is unable to calculate the correct amount of support due to them and due to the state for welfare. It is taking one year for the state to audit cases to make sure the correct amount of support due to families is distributed. Families report that the state continues to seize and keep IRS offset checks for much more money than the family ever received in welfare benefits. Florida is reporting $33 million in undistributed funds as of the end of the 2000 fiscal year.

In Georgia, there is legal action pending against the state for failure to release child support payments collected when a family leaves the welfare rolls, and for incorrect calculation of the amount due to the family and due the state.

California is reporting that is has $127 million in undistributed funds. The state plans to set up a public awareness campaign to notify families that they may be holding their child support payment within the next few months. California's current system of four separate computer systems is causing a variety of problems distributing payments, especially in cases which involve more than one county.

In a survey done by the Inspector General, **the *percentage of states* that report the following *problems*** with implementation of SDU's are:

- 100%—distributing payments for interstate cases;
- 86%—identifying poorly labeled payment;
- 86%—identifying payments with no case in the system;
- 60%—redirecting payments mailed to wrong place;
- 71%—meeting customer serve demands;
- 60%—securing, training and retaining staff;
- 31%—disbursing support payments within two days;
- 40%—predicting volume for staffing purposes; and
- 34%—monitoring SDU performance.

The Office of Inspector General recent report, *Child Support Enforcement State Disbursement Units*, August 2000, reported that 38 states have fully implemented the federal law to centralize payment processing of most child support payments. Indiana, Wyoming, and South Carolina asked for waivers to link local disbursement units. Arkansas, Georgia, Kentucky and Oklahoma report they have central payment processing but are not yet using it for the federally required caseload. Michigan and Nevada were granted extensions to implement their SDUs until October 1, 2000 and October 1, 2001, respectively. Alabama, California, Kansas, Nebraska, Ohio, and Texas report they have not yet begun central payment processing.

Payment distribution reform is needed. ACES supports measures such as those in the bill passed in the U.S. House last session which allowed states to pass-through $400–$600/month in child support to families receiving TANF. States have incentive to pass-through child support collections to TANF families because they do not have to repay the federal share of TANF to the federal government, as in the past. They can use TANF funds to pay the state's share of the losses they incur from passing-through the money rather than by recouping it for TANF benefits. Also, families receive all back-support due to them before the state receives any back-support due it. Complicated distribution regulations which allowed states to require families to assign all support due to them, even support accumulated before they went onto public assistance, is clarified to ensure that the state recoups the lessor of the amount they gave family in benefits or the amount of unpaid child support which was due while they were on TANF.

SDU's federal policies should be immediately reviewed and revised. Payments should be able to be made at many places, such as ATMs, utility payment sites, banks, and the central payment collection site. This would ensure employers one place to send payments while, at the same time, make it easy for parents to pay. Payments received off-site could be sent via Electronic Funds Transfer (EFT) to the central payment site. The Federal Office of Child Support should immediately audit states with undistributed funds to ensure that an adequate plan is being put in place to provide for emergency and long term needs.

States have $440 million undistributed funds on hand, more than ever before. For example, ACES found $30 million undistributed funds in Florida, $2 million in Georgia, and $10 million in Los Angeles, CA. The Federal Office of Child Support has listed distribution of unidentified funds as one of their major priorities for the year 2000, due to the growing total reported by states in 1999.

Please act today to reform child support distribution laws. Our children need support now—the rent is due and we need to buy them food.

CHART 1—TOTAL UNDISTRIBUTED FUNDS AT THE END OF 1999

State	Amount undistributed (in $)
Alabama	3,264,610
Alaska	1,747,989
Arizona	9,506,700
Arkansas	3,990,073
California	127,951,700
Colorado	629,475
Connecticut	1,381,554
Delaware	3,509,654
District of Columbia	1,361,607
Florida	45,637,093
Georgia	2,518,115
Guam	1,721,121

CHART 1—TOTAL UNDISTRIBUTED FUNDS AT THE END OF 1999—Continued

State	Amount undistributed (in $)
Hawaii	1,220,932
Idaho	16,940
Illinois	261,935
Indiana	14,909,881
Iowa	989,989
Kansas	327,474
Kentucky	11,072,597
Louisiana	387,290
Maine	4,464,573
Maryland	7,828,829
Massachusetts	7,220,855
Michigan	28,818,050
Minnesota	0
Mississippi	2,800,100
Missouri	4,273,822
Montana	262,725
Nebraska	98,217
Nevada	1,555,070
New Hampshire	1,401,060
New Jersey	4,058,470
New Mexico	123,011
New York	52,860,921
North Carolina	10,097,638
North Dakota	1,288,608
Ohio	19,070,984
Oklahoma	2,277,525
Oregon	1,796,673
Pennsylvania	18,971,240
Puerto Rico	5,534,273
Rhode Island	1,488,480
South Carolina	5,013,990
South Dakota	715,738
Tennessee	72,480,009
Texas	4,935,212
Utah	926,179
Vermont	1,622,436
Virgin Islands	254,396
Virginia	4,714,466
Washington	3,099,927
West Virginia	4,278,930
Wisconsin	7,179,526
Wyoming	1,000,698
Total United States	[2] 560,713,864

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[1] Chart 1 shows $560 million in undistributed funds. This needs to be reduced by $120 million to account for the 2-day delay in distribution of funds ($15.8 billion in 260 workdays/year).

[2] This needs to be reduced by $120 million to $440 million to account for the 2-day delay in distribution of funds ($15.8 billion in 260 workdays/year).

Statement of the Coalition on Women and Job Training

The Coalition on Women and Job Training is comprised of more than 30 members from national women's, civil rights, religious, and labor organizations. Since its inception in 1992, the Coalition has been at the forefront of the federal debate on job training reform and has worked to increase low-income women's options for achieving economic self-sufficiency through an improved job training system. In the past, the Coalition has successfully outlined a progressive vision and made recommendations for achieving real gender equity in federal education and job training policies. For example, during the Workforce Investment Act debate and Welfare-to-Work legislation's implementation, the Coalition worked to ensure the provisions for nontraditional employment training, services for displaced homemakers, and other services for low-income women were included.

Our role in the upcoming welfare reform debate is to see that the needs of low-income women and mothers are addressed in the reauthorization of TANF. Toward this end, the Coalition is developing *The Working Mother's Agenda*. Taking into consideration some of the main goals of the 1996 welfare reform law, such as providing assistance to needy families and ending dependence on the federal government by promoting work, *The Working Mother's Agenda* will focus on five key issues:

CHILD CARE

While we appreciate the recent funding increases for child care services, the Coalition believes that child care provisions require more than just dollars. We recognize the need for resources that provide greater access to quality, affordable, and dependable child care for women making the transition from welfare to work.

TRANSPORTATION

In order to better assist families to make the transition to work, TANF reauthorization must include provisions for greater access to reliable, affordable and alternative means of transportation. Transportation for welfare mothers is particularly challenging because often, they do not own reliable cars, they work nontraditional shift hours, and they must make more trips each day to accommodate their child care and domestic responsibilities.

EDUCATION AND JOB TRAINING

Preliminary TANF regulations were particularly restrictive in terms of work participation and time limits, and although the final regulations were more open to flexibility in those areas, many states continue to implement welfare-to-work programs that are focused on job placement and provide limited access to training. The Coalition believes that TANF reauthorization needs to encourage training and education activities, including post-secondary education, in order to move welfare participants into higher skilled jobs. Participants need jobs that provide better wages and benefits, and opportunities for advancement to adequately provide for their families and to become economically self-sufficient.

EMPLOYMENT READINESS

As Cynthia Fagnoni of the GAO has testified, follow-up research shows that many participants who remain on the welfare rolls are not employed in any real capacity. Many participants have characteristics which make it difficult for them to work, such as poor mental and physical health or disability, lack of high school education, limited work experience, a history of domestic violence and substance abuse, or a limited proficiency in English. The Coalition believes that TANF reauthorization needs to provide work preparation activities and life skills development services that are tailored to these participants' needs.

RESEARCH COMPONENT

The Coalition believes that TANF reauthorization should include, at the national level, a research component to evaluate the impact of the legislation on individuals who leave welfare.

The Coalition on Women and Job Training looks forward to working with the Committee on the reauthorization of welfare reform so that more women may achieve economic self-sufficiency.

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